

Housing: Chicago Style

A CONSULTATION

October 1982



Thurgood Marshall Law Library
The University of Maryland School of Law



presented at a consultation sponsored by the Illinois Advisory Committee to the United States Commission on Civil Rights in Chicago, September 8-9, 1981. These papers will be submitted to the Commission for its consideration. Information, opinions, and conclusions should be attributed to individual authors and not to the Commission or the Illinois Advisory Committee.

HD
7288.76
.U52
L43
1C32

UNIVERSITY OF MARYLAND

SCHOOL OF LAW

LIBRARY

BALTIMORE, MARYLAND

THE UNITED STATES COMMISSION ON CIVIL RIGHTS

The United States Commission on Civil Rights, created by the Civil Rights Act of 1957, is an independent, bipartisan agency of the executive branch of the Federal Government. By the terms of the act, as amended, the Commission is charged with the following duties pertaining to discrimination or denials of the equal protection of the laws based on race, color, religion, sex, age, handicap, or national origin, or in the administration of justice: investigation of individual discriminatory denials of the right to vote; study of legal developments with respect to discrimination or denials of the equal protection of the law; appraisal of the laws and policies of the United States with respect to discrimination or denials of equal protection of the law; maintenance of a national clearinghouse for information respecting discrimination or denials of equal protection of the law; and investigation of patterns or practices of fraud or discrimination in the conduct of Federal elections. The Commission is also required to submit reports to the President and the Congress at such times as the Commission, the Congress, or the President shall deem desirable.

THE STATE ADVISORY COMMITTEES

An Advisory Committee to the United States Commission on Civil Rights has been established in each of the 50 States and the District of Columbia pursuant to section 105(c) of the Civil Rights Act of 1957 as amended. The Advisory Committees are made up of responsible persons who serve without compensation. Their functions under their mandate from the Commission are to: advise the Commission of all relevant information concerning their respective States on matters within the jurisdiction of the Commission; advise the Commission on matters of mutual concern in the preparation of reports of the Commission to the President and the Congress; receive reports, suggestions, and recommendations from individuals, public and private organizations, and public officials upon matters pertinent to inquiries conducted by the State Advisory Committee; initiate and forward advice and recommendations to the Commission upon matters in which the Commission shall request the assistance of the State Advisory Committee; and attend, as observers, any open hearing or conference which the Commission may hold within the State.

Housing: Chicago Style

—A Consultation Sponsored by the Illinois
Advisory Committee to the United States
Commission on Civil Rights

Attribution:

Information and recommendations contained in these papers are to be attributed to the individual authors and do not necessarily reflect either the positions or policies of the U.S. Commission on Civil Rights or its State Advisory Committee. This collection of papers will be submitted to the Commissioners for their consideration.

Right of Response

Prior to publication of a report, the State Advisory Committee affords to all individuals or organizations that may be defamed, degraded, or incriminated by any material contained in the report an opportunity to respond in writing to such material. All responses received have been incorporated, appended, or otherwise reflected in the publication.

HD

7288.76

.U52

C43

1982

LETTER OF TRANSMITTAL

Illinois Advisory Committee to the
U.S. Commission on Civil Rights
September 1982

MEMBERS OF THE COMMISSION

Clarence M. Pendleton, Jr., *Chairman*
Mary L. Smith, *Vice Chairman*
Mary F. Berry
Blandina Cardenas Ramirez
Jill S. Ruckelshaus
Murray Saltzman

John Hope III, *Acting Staff Director*

Dear Commissioners:

The Illinois Advisory Committee submits its report, *Housing: Chicago Style*, as part of its responsibility to advise the Commission on civil rights developments in the state. This report presents the proceedings of a consultation entitled "Chicago's House Divided—Public Housing and the Dual Housing Market," held at the University of Illinois, Chicago Circle, December 8–9, 1981.

At this consultation a variety of experts presented analyses and policy recommendations dealing with the specific issues of Chicago's dual housing market and its public housing dilemmas, and the inadequacy of the community's housing stock in general. Among the participants were public housing residents, public officials at all levels of government, community organizers, scholars, and representatives of private industry.

The basic picture presented at the consultation was, unfortunately, an all-too-familiar description of ongoing racial discrimination in the areas's housing market, dangerous conditions in most public housing projects, and an inadequate supply of housing particularly for minority and low income families. The photographs included in this report graphically illustrate the severity of Chicago's housing problems.

But the consultation was not an exercise in condemnation. Many creative recommendations were forcefully presented by the participants. Despite some areas of disagreement, virtually all agreed aggressive actions must be taken by public and private sector officials and residents themselves. Chicago's housing problems are not unsolvable. Hopefully, dissemination of this report will contribute to a better, and more open, housing market, in Chicago and other American cities.

Sincerely,

Tom Pugh, *Chairperson*
Illinois Advisory Committee

ILLINOIS ADVISORY COMMITTEE TO THE U.S.
COMMISSION ON CIVIL
RIGHTS

Tom Pugh, *Chairperson*
Peoria

Patricia T. Bergeson
Chicago

Thomas L. Bradley
Chicago

Irma Claudio
Chicago

Theresa F. Cummings
Springfield

Erma M. Davis
Peoria

Denis H. Detzel
Chicago

Preston E. Ewing, Jr.
Cairo

Alice Mae Kirby
Springfield

Louise Q. Lawson
Chicago

Myron D. MacLean
Decatur

Edward A. Marciniak
Chicago

Zena Naiditch
Springfield

Henry H. Romero
Chicago

Andrea Rozran
Chicago

Joseph J. Slaw
Decatur

Susannah A. Smith
Chicago

Robert C. Spencer
Petersburg

Milton E. Stinson, Jr.
Chicago

Jacqueline B. Vaughn
Chicago

ACKNOWLEDGEMENTS

The Illinois Advisory Committee wishes to thank the staff of the Commission's Midwestern Regional Office in Chicago for help in the preparation of this report. The project director for this consultation was Valeska S. Hinton, civil rights analyst. Writing and editing the report was the assignment of Gregory D. Squires, research writer. Special recognition goes to Tom Pugh, Chairperson of the Advisory Committee who contributed to the writing of the report and is responsible for all photographs in the report including the cover. Support services were provided by Mary K. Davis, Ada L. Williams, and Delores Miller. The project was undertaken under the overall supervision of Clark G. Roberts, Regional Director, Midwestern Regional Office. The staff of the Publication Support Center was responsible for final preparation of this document for publication.

Contents

INTRODUCTION: Chicago's House Is Falling Down	1
Chicago's Housing: A Photographic Essay by Tom Pugh, Chairperson, Illinois Advisory Committee.....	5
THE RESIDENTS	
Cabrini-Green by Marion Stamps	7
Public Housing in the City of Chicago by Jerome Hunt	11
THE ORGANIZERS	
Tenants Organizing for Stable Neighborhoods by Ralph Scott, Karen Walker, Mosi Kitwana, Bob Adams, and Hans Hintzen	15
Mortgage Lending, Blacks and Hispanics: From the Dual Housing Finance Market to Reinvestment to a Unitary Unsatisfactory Market for All by Dennis Marino ...	23
Federal Housing Programs and the Pursuit of Equal Opportunity: The Role of the Courts by Leonard S. Rubinowitz	30
The Dual Housing Market in the Chicago Metropolitan Area by Kale Williams	38
THE DEVELOPERS	
The Establishment of Housing Patterns in Chicago by Michael W. Scott	48
Housing Problems of Hispanics in Chicago by Mario Lopez	60
FINANCIERS	
The Real House Divided: Regulations that Divide Families by Fidel Lopez	69
The Urban Property Tax and Minorities by Arthur Lyons	73
LOCAL ENFORCERS	
Promoting and Preserving Racial Residential Diversity: The Park Forest Case by Donald L. DeMarco	79
Racial Diversity: A Model for American Communities by Roberta Raymond	85
Recommendations for a Chicago Housing Plan to Assist Low and Moderate Income Tenants by Alderman David Orr	94
STATE ENFORCERS	
Observations and Suggestions on Chicago's Shrinking Supply of Decent and Affordable Rental Housing: Public and Private by Ron Stevens	96
The Dual Housing Market in Chicago by Joyce Tucker	103
The Role of the State in Housing Policy by Michael Spivey	109
FEDERAL ENFORCERS	
On Increasing Housing Opportunities for Minorities and Women: A Multi- Dimensional View of Current Practices and Ideals by Sam Riley	112
HIGHLIGHTS OF "QUESTION AND ANSWER" SESSIONS	121

TABLES

Table 1. Demographic Trends in Chicago Housing Authority Projects.....	71
Table 2. Illinois Housing Development Authority	71

APPENDICES

Appendix I. Report of Committee on Problem Families.....	129
Appendix II. Letter from Department of Housing and Development	138

Introduction: Is Chicago's House Falling?

Jane Byrne created quite a furor last year when she temporarily moved to Cabrini-Green, a virtually all black high rise public housing complex on Chicago's north side. Cabrini-Green is notorious for poor maintenance, street gangs, rats, and just about every other problem commonly associated (often inaccurately) with public housing. Ironically, her new "home" was only ten blocks west of, and quite visible from, her Gold Coast apartment building. Some commended the Mayor for her bold leadership while others condemned her for political grandstanding. While she spent only a handful of nights at her Cabrini-Green apartment, her actions stimulated public discussion over the adequacy of the city's housing stock and the extent to which housing is available on an equal opportunity basis.

In Chicago and in other metropolitan areas around the country the twin issues of adequacy and equality in housing concern many public officials, people in private industry, and, most of all, low income minority families. In Chicago the housing stock is shrinking with some neighborhoods having lost as much as 20 percent of all housing units in the past ten years. And according to 1980 census figures, two-thirds of the city's community areas are either more than 95 percent black or are virtually all white. Similarly segregated is Chicago's fastest growing minority group, the Hispanics. The current administration in Washington is considering some new directions in housing policy, in part because of these issues. Many housing and civil rights experts have expressed concern, however, that these proposals will exacerbate rather than alleviate the problems of adequacy and equality in the nation's housing markets.

In light of the longstanding history of housing problems in the city frequently referred to as the most segregated metropolitan area in the nation and recent policy initiatives, the Illinois Advisory Committee to the U.S. Commission on Civil Rights examined the issues of public housing and the dual housing market (now actually triple housing market given the Hispanic experience) in Chicago. On December 8 and 9 at the University of Illinois, Chicago Circle, the Committee heard public housing residents, community organizers, scholars, elected and other public officials at all levels of government, and representatives of private industry offer their analyses of housing problems and their recommendations for resolving them. This volume contains the papers which these experts provided for the Committee along with the highlights of discussions that occurred at the two day consultation entitled "Chicago's House Divided—Public Housing and the Dual Housing Market." Perhaps the most significant conclusion to be drawn from this meeting is that virtually all the experts who participated offered analyses and policy recommendations in direct contradiction with those of President Reagan's Housing Commission.

The principal objective of this inquiry was to generate recommendations from appropriate experts on how the city of Chicago in particular and the nation in general can provide decent housing for all residents and assure that such housing is available on an equal opportunity basis. The experts did not disappoint. Many recommendations were offered on a wide range of housing issues. Some called for very specific actions by particular individuals while others suggested philosophical guidelines for communities in

general. In some instances, the recommendations contradicted each other, resulting in some heated discussions at the consultation.

General consensus prevailed on the fact that the supply of decent housing, public and private, was inadequate particularly for low income residents, and that racial minorities continue to face discriminatory barriers in the housing market. Most of the participants agreed that stronger enforcement of fair housing laws, particularly at the federal level, is a key part of any remedy. Such efforts would involve legislation to provide the U.S. Department of Housing and Urban Development more administrative authority to enforce Title VIII of the Civil Rights Act of 1968, the federal fair housing law; enforcement of the Community Reinvestment Act which, according to Dennis Marino of the Woodstock Institute has been ignored since 1980; stricter compliance on the part of lenders with Federal Home Loan Bank Board regulations which prohibit discriminatory credit practices; stricter enforcement of equal employment opportunity laws within the real estate industry; more effective affirmative marketing in publicly-funded housing developments; and effective enforcement of the recently-enacted Illinois fair housing law by the new Illinois Department of Human Rights.

A variety of educational efforts were recommended. According to Kale Williams, Executive Director of the Leadership Council for Metropolitan Open Communities, whites have to learn that the federal fair housing act did not eliminate discriminatory housing practices, but minorities must learn that some progress has been made and more progress is possible. Mario Lopez, Executive Director of the Community Housing Education Corporation, cited the need to educate Hispanics on virtually all aspects of the housing industry, including construction and rehabilitation, property management, financing, and legal rights. In addition, Lopez called for more bilingual staff in government housing agencies, bilingual signs in offices, and bilingual legal forms.

"The most reprehensible set of actors is that of slumlords," according to Ron Stevens, Supervisor of the Housing Division of the Cook County State's Attorney's Office. He called for large fines, jail sentences, and even the removal of property from those who represent the most serious threat to communities as a result of mismanagement, arson-for-profit, and other practices that lead directly to the deterioration of housing and neighborhoods.

Current tax laws were cited by some participants as critical problems, particularly for minority and low income families. Revisions of tax laws to favor tenants rather than owners, condominium converters, and speculators was called for by the Housing Agenda. Professor Arthur Lyons examined property tax assessments in Chicago and found that residents in minority areas tend to be overassessed, a pattern which he said has been found in several other cities. Among his recommendations is the need for more public scrutiny of the assessment process. Lyons briefly addressed the issue of tax abatements as a tool for attracting businesses, concluding that they do not work and should be eliminated entirely.

One recommendation for reducing the cost of public housing offered by Jerome Hunt, a resident of a high rise public housing complex on the south side, is to remove the requirement that the Chicago Housing Authority pay union wages for construction and maintenance work. This recommendation was met with some concern for what might appear to be "union busting."

Given the high cost of housing and mortgage money and the fact that wage increases are not keeping up with increases in the costs of home ownership, the rights of tenants have assumed greater importance in recent years, according to several participants. The Housing Agenda called for a tenants' counterpart to the Wagner Act that would enable tenants to collectively bargain with landlords over rents, building conditions, and other terms of tenant-landlord relations. Chicago Alderman David Orr called for a fair rent commission to adjudicate complaints over rent gouging and condominium conversion legislation to minimize displacement and protect purchasers. Rent control laws which would permit landlords to pass on legitimate maintenance cost increases but which prohibit gouging, along with condominium conversion regulations were also recommended by Stevens.

The merits of scattered-site public housing in minority as well as white neighborhoods and efforts to achieve planned integrated communities were the subject of rational discussion and emotional debate. Kale Williams applauded the efforts of those suburbs that have maintained diverse racial and ethnic communities and, along with Roberta Raymond, Oak Park Housing Center Director, and Donald DeMarco, Park Forest Assistant Village Manager, called for federal support of such efforts. Williams described a current proposal to divert money from scattered-site housing construction programs to operating budgets

of older developments as "short-sighted in the extreme."

HUD officials, Renault Robinson of the Chicago Housing Authority, and Jean Oden of UNITE were among those who challenged these efforts, arguing that low income minority residents should have the freedom to choose decent housing in their own communities and if they are scattered throughout the metropolitan area, their political power will be diminished. The indecency in many public housing complexes was captured in Jerome Hunt's characterization of his building: "Babies crying, people dying. Elevators not working. Damn near half the population is on dope." Marion Stamps, a former resident of Cabrini-Green, echoed Hunt's observations when she described her experience as "three years of fighting to keep my children from freezing from lack of heat, sitting up sometimes all night to keep the rats from biting one of my babies, or just checking to make sure we weren't visited in the night by uninvited guests." In explaining the causes of these conditions Stamps observed:

Anytime thousands of people are confined to small areas of land and stacked and herded on top of each other like animals, that place ceases to be a home but instead becomes and is a concentration camp. The guards and keepers that patrol such camps come in the guise of social workers, politicians, police, medical practitioners, and even some of us.

Such observations led Robinson to conclude that "I think the idea of integration in housing, although a good one, should give way to quality housing wherever it might be." As Ron Stevens noted, a first step called for by many is simply to tear down existing high rise public housing complexes.

DeMarco anticipated the concerns with freedom of choice and political power in his remarks. He responded that people have long had the right to choose segregated housing but rarely the right to choose an integrated neighborhood. And he concluded, "if segregation empowered people, minority people would be damn powerful now."

In light of the nation's housing crisis, President Reagan's Commission on Housing was created. The principal findings and recommendations of that Commission's report, released in April, conflict with the major conclusions presented to the Illinois Advisory Committee. In striking contradiction to most participants at the December consultation the President's Commission denies that nationwide the condition or

supply of the housing stock poses a major problem, while acknowledging exceptions in certain communities. And while a general commitment to fair housing principles and compliance with existing fair housing laws is frequently asserted, among the more than 100 recommendation, none address specific changes to improve current enforcement efforts. Unlike most of the participants at the consultation, the President's Commission does not discuss the need for stronger law enforcement, better educational or training programs, tenant organizations (in fact rent control would be explicitly prohibited under some of the proposed programs), or any of the proposals which were emphasized at the December meeting.

What is emphasized in the Commission's report are the costs of home building and home buying. In its press statement announcing the release of the report, the Commission stated:

Repeatedly in its work the Commission came face to face with the current plight of housing: young couples who cannot find a first home they can afford to buy; low-income families compelled to spend more on housing than they can afford; builders facing bankruptcy; unemployed construction workers; mortgage lenders hobbled by past government policies and regulations.

The report's major recommendations call for replacing low income construction programs with a housing payment program, regulatory relief in several areas to encourage the production of more and new forms of housing (e.g., condominiums, cooperatives, manufactured homes), and tax incentives to increase the flow of money into the housing industry and the housing choices of Americans. Denis Marino's response to the Commission's interim report applies equally to the final report: "There is a complete failure to acknowledge considerable evidence of historic institutional discrimination which limits housing choices."

The most fundamental distinction between the thrust of the Illinois Advisory Committee's December consultation and the Presidential Commission's report involves a broader question of the function of housing in our society. For the participants at the consultation the need for shelter is the principal concern. To the Commission the primary problem is the economic condition of the housing industry. Perhaps the most revealing statement is the following directive given to the Commission in the Executive Order which created it:

...seek to develop housing and mortgage finance options which strengthen the ability of the private sector to maximize

opportunities for homeownership and provide adequate shelter for all Americans (emphasis added).

It is important to note that the objective is *not* to maximize opportunities for homeownership and provide adequate shelter for all Americans. The objective is to strengthen the ability of the private sector to accomplish these objectives.

As Ron Stevens asserted, and several other participants implied, it is precisely this basic approach to housing that constitutes the fundamental flaw in housing policy today. In Stevens' words:

When housing is discussed within the private sector, it is discussed in terms of market. The problems tend to be defined not in terms of public need, but rather in terms of private benefit. The problems are seen through the eyes of the investor, the developer, the builder. These actors share a common interest: maximized profit which requires higher rather than lower cost to the consumer.

We must begin, even in the private sector to perceive housing as a long-term public investment, not a short-term

private one. The solutions to the short term interests of investors today are diametrically opposed to the long-term interests of society. The private sector has not only failed to solve the housing problems through its reliance on "free market" forces, it has either created the crisis we are beginning to experience, or it has at the very least badly exacerbated it.

Chicago's house is divided. Much of it is burning down, some is just falling down, and more should be demolished. A major rebuilding job is ahead of us, one which involves far more than brick and mortar. We are a long way from the nation's expressed goal of a decent home and a suitable living environment for every American family. We are even further away from the goal of equal housing opportunity and genuine freedom of choice for every American family. The incisive analyses and recommendations contained in the following papers are worthy of the most serious consideration by public officials and private citizens alike.

Chicago's Housing: A Photographic Essay

Chicago faces no long range civil rights problem larger than the one which flows from entrenched housing discrimination. This consultation discussed that problem and made suggestions for solutions which might be pursued by governmental authorities at the national, state, and local levels or by individuals or groups of citizens. The provocative papers and timely testimony from public housing residents, community organizers, researchers, lenders, scholars, and public officials can profit not only Chicagoans but also concerned citizens elsewhere in the nation.*

Chicago calls itself "a city of neighborhoods," but all neighborhoods aren't equal. Some may look alike, but the lakefront condominiums of North Michigan Avenue are worlds away from the towering Robert Taylor Homes, the public housing warehouses along South State Street. There 30,000-plus people, nearly every one black, live in a city strip about three miles long and one super block wide. Taylor's grilled balconies (to keep children from falling out of their "homes") and concrete galleries resemble prisons more than high-rise apartments. The persistent complaints about broken elevators are not laughing matters—not to women and children who must pass ghastly gargoyles and obscenities drawn on the stairwell walls. Artful murals may brighten the streets of Chicago's ethnic "neighborhoods," but it is vicious graffiti scrawled on the sides of people's houses by street gangs that says what is going on in Chicago's House Divided.

Approximately 142,000 people are registered in the city's public housing, the most celebrated project being the 20-story "gun towers" of the Cabrini-Green complex where Mayor Byrne attempted to live last spring. Before the mayor moved in, there was more garbage in the "garden apartments" of Cabrini than vegetables in the big field where some tenants grew "greens." Some evictions—in the name of law and order—followed the mayor's sojourn, but the composition of the 12,000 black tenants of Cabrini-Green did not change much. It is still 80 percent occupied by husbandless mothers and fatherless children.

* Tom Pugh, Chairman of the Illinois Advisory Committee to the U.S. Commission on Civil Rights, opened the consultation with a presentation of color slides he took of housing conditions in

With more than ten percent of Chicago's 1.2 million black population in public housing—and 97 percent of the 17,988 families on waiting lists also black—little attention is given to the housing needs of poor Hispanics and whites. Continuing segregation in housing—17 of the city's 77 "community areas" are more than 95 percent black and there are 31 "community areas" which are almost all white—is a particular problem not only to blacks but also to the city's Hispanic population which is approaching the half million level. Both of these large minorities are being limited to particular neighborhoods by the discriminatory patterns of public housing location and real estate sales and rentals.

The suburban communities of Oak Park and Park Forest, which have acted successfully to reduce scare selling and "block-packing" which have so dominated Chicago's housing market, are proofs that Chicago itself need not let the practices which have wracked its south and west sides scar the rest of the city. Efforts can be mounted on a grand scale to transform Chicago's "community areas" into open housing areas where minorities can freely live.

The locked iron gates which block streets between southside blacks and Bridgeport whites should be dismantled. Chicago needs to see what a "House Divided" it really is and do something about the atrocious conditions in its public high-rise projects. It has been a long time since we quit building them—federal law prohibited letting children live above the third floor in "new" units back in 1968. Perhaps consideration should be given to demolishing the Taylor and Cabrini-Green complexes as St. Louis did in the case of its smaller Pruitt-Igoe project.

Chicago has some excellent areas where everyone is black or everyone is Hispanic or everyone is white, but most of the people of these neighborhoods turn their backs to people of the other neighborhoods. Perhaps this consultation can help them face each other and recognize that segregation is at the root of the majority of America's remaining civil rights problems.

Chicago. This statement and photographs present a summary of his remarks.



The Residents

Marion Stamps on Cabrini-Green

by Marion Stamps, Tranquility Memorial Community Organization, Former Resident, Cabrini-Green

My name is Marion Stamps. I am the mother of five daughters, ages 19, 18, 16, 13 and 10. I am also the proud grandmother of a 10-month old grandson.

I moved into Cabrini-Green Public Housing Project in 1965. For the next eleven years I made this my home. I was a young mother, new to the city, having only lived in the city 3½ years before becoming a public-housing resident. The move into public-housing, I thought, was a godsend, a blessing, compared to the slum-housing I was living in before. For me the move into Cabrini-Green represented something bigger and better.

That was how I felt in 1965, after 3 years of fighting to keep my children from freezing for lack of heat, sitting up sometimes all night to keep the rats from biting one of my babies, or just checking to make sure we weren't visited in the night by uninvited guests. That was 1965. My how dreams are shattered by reality.

My family and friends were the first to take a stab at shattering my dreams of a better life at Cabrini-Green. They offered me a laundry list of Do's and Don't's necessary to survive in public housing: 1) don't speak to your neighbor 2) don't offer any help or assistance to your neighbor 3) don't visit your neighbor's house 4) don't hear, speak, or see no evil and 5) do mind your own business. If you follow these simple rules, they said, you shouldn't have any problems living in public housing.

My first year and a half of living in Cabrini it was easy to follow these simple rules. I worked during the day and went to school at night. This didn't leave much time to mix and mingle with neighbors. However, even these hours didn't keep me from feeling that something was seriously wrong in what I thought was a better place for me and my children. It didn't take me long to find out just what the problems were. All I had to do was take off work one day, step out on the ramp (porch) and there it was. I was both amazed and saddened to realize that my haven was no more than a living hell. I had never seen so many people, primarily women, walking around with their heads down, in states of total hopelessness. I saw young children fighting to get a chance to play on the only remaining swing left in a concrete playground. I saw young children I knew who should have been in school, but for some reason were allowed to just hang out in the school playground. I remember asking myself why are these children allowed to hang in the school playground and not go to class. I didn't know much about the school (Schiller) at that time because my children were attending a neighborhood Catholic school.

That day, standing on the ramp, seeing my dream shattered by the apparent reality of hopelessness, shocked me into a realization of what I had to do. I could no more live in Cabrini and not get involved than I could live in Mississippi and not get involved. I made a decision that day to do two things: 1) to get to know my neighbors who lived to the right and left of me and 2) to find out what kind of programs were available in the building to help the residents. I was not really surprised to find out from my neighbors

that there weren't any programs in the building. I was told, though, that there was a community organization called North Central Committee Council (NCCC).

The NCCC was established to work with tenants as a liaison between tenants and management. I decided to get additional information on this group and find out how we could get some kind of program for my building. After attending about three meetings of the NCCC, I learned that it was really a tenant council set up by CHA (Chicago Housing Authority). The building I lived in did not have representation on this tenant council. I took it upon myself to try to get tenants involved in the building council. This became my first major organizing effort at Cabrini-Green. It didn't take me long to learn that many of the tenants also lived by the same laundry list of do's and don't's that my family had bestowed upon me. This hampered my organizing efforts. I analyzed the situation and drew upon my experience in the civil rights movement. It didn't take me long to figure out why my efforts at organizing a building council were unsuccessful. In order to organize people one must be able to clearly define the issues or problems. Once this is done, one must be able to offer some direction or how to handle the issues and/or solve the problems. This has to be done, though, from an historical framework of reference of the issues and problems at hand. Therefore, it was necessary for me to first get an understanding of the history of public housing. Such an understanding, I felt, would certainly unveil the perpetrators of despair who had driven the residents to their present states of hopelessness: the planners, the architects, the developers, etc.

Cabrini sits on 70 acres of land that houses, when in full capacity, 14,195 people. It is bounded on the North by Clybourn Avenue; on the South by Chicago Avenue, on the West by the Chicago River; and on the East by Division Street. Within the housing project are two parks (Stanton Park and Seward Park). These parks are maintained by the Chicago Park District. There is also a youth center (Lower North Center) operated by the Chicago Youth Centers. In 1968 there were ten social service agencies housed in and around Cabrini-Green. Police, of course, were also there to insure the protection of the many who came and went in and out of Cabrini on a daily basis.

As I reflected upon Cabrini's history and its present make-up, the causes of the problems there became clearer. Anytime thousands of people are confined to small areas of land and stacked and herded on top of each other like animals, that place ceases to be a home

but instead becomes and is a *concentration camp*. The guards and keepers that patrol such camps come in the guise of social workers, politicians, police, medical practitioners, and even some of us. Their roles are clearly defined by the establishment for which they work and owe their allegiance to: to insult, degrade, disrespect, harass, and to generally make to feel inferior, all residents who come in contact with. Thereby, social workers question your man and womanhood and think nothing of it. Politicians make promises of jobs and welfare checks for your votes or no jobs and no welfare check if you don't vote the way the precinct captain has dictated. Then we have Chicago's finest, the police who only serve and protect property and property rights; who constantly remind you, with their guns drawn, their foul mouths spitting derogatory remarks about your mama, that you are in a concentration camp and they are assigned keepers and guards. Let us not forget the all mighty doctor who for some reason is convinced that the only medical problem of Black and poor people is a mental one. Thereby he keeps us drugged from one day to the next. Lurking amongst all of these outsiders, let us not forget us: the misguided Black folks among us who sell dope to our children, who intimidate and force our children into gangs and who generally harass our children. These misguided Black folks' only concern is making a buck, using and misusing other people. They make an already bad situation worse. The sad part about it, though, is that they themselves don't even realize that they too are victims in the concentration camp and they too will perish unless they wake up and clean up their act.

Having gained this kind of understanding of the historical context of public housing, I set out to resume my organizing. I began by having a few women in the building to come together in a rap session. From these sessions we identified two major issues in which we would become involved: the youth gang situation and the problems at Schiller School. A group of parents, evolved from work on these two issues, who became actively involved in the building council. They gained a new sense of self-awareness and belonging. In fact, this group was so successful with the Schiller school situation, that our next organizing effort was very easy.

It came at a time when everyone in the community was predicting doom. The issue was the ever-increasing youth (gang) groups. By this time our work and involvement in the community had pushed us into roles as community leaders. Like it or not, the

community saw this as our role. So now the community expected us to do something about the gang problem. It was crucial in dealing with this problem that we not fall into the trap of blaming the victim. For certainly the young people who were involved in the youth gangs were victims whether they realized it or not. They were victims like the rest of us of a cruel, inhumane, unjust, and oppressive society. A society that sees their suicidal activities as benefiting its own destruction of our race.

We saw our first task in addressing the youth groups as talking to leadership of the groups. This was not an easy task. But we felt it was necessary to get from the "horses mouth" what their concerns were. However, after many attempts to set up meetings with them, they finally agreed to one. Their concerns were nothing we had not already heard from other young people who were not affiliated with the gangs: lack of recreational facilities, lack of jobs, irrelevant education. We agreed to set up weekly meetings with the youth groups to try to find more positive ways of channeling their energies. We had our ups and downs in getting the youth involved in community projects and developing a more positive image in the community of them. It was clear to everyone that we were making progress, but our success was short lived.

In 1971 two policemen were killed in Cabrini. With the killing of the two policemen all hell broke loose. Our community became a war zone with the policemen breaking down doors, intimidations, harassments, arrests. It was a living hell. Following the killings then Secretary of HUD, George Romney, visited Cabrini-Green to talk directly to the tenants. To insure that Sec. Romney heard the real story our group mobilized tenants to attend the meeting. The meeting was held at St. Dominic's Church. Resident after resident testified before the Secretary at that meeting. They testified about the deplorable living conditions at Cabrini and the sense of hopelessness. The Secretary was moved by what he heard and at that time made a commitment to see to it that tenants would be involved in the decision making process in public housing. What followed as a result of that was the establishment of clear cut guidelines on tenant participation. CHA, though, like other housing authorities across the country, wasn't about to give up its powers without a struggle. Hence the fight for tenant involvement began in Chicago.

Public housing residents from all over the city came together under the banner of Chicago Housing Tenants Organization (CHTO). After a year of fighting CHA, the Federal government threatened to freeze 43

million dollars in modernization funds. This was the straw that forced the CHA to the binding arbitration table. There were several meetings with CHA, CHTO, the Central Advisory Council, and the American Arbitration Association. The result was the *Memorandum of Accord*. It spelled out how tenants would participate in all aspects of public housing affairs, as well as, the process by which local and central advisory councils would be elected. While CHTO had indeed won the battle in this case, we had lost the war. We lost the war because we were politically naive. We didn't understand the kind of power we had. We did not realize that if we controlled the local councils in CHA, we would have the support and backing of 180,000 people in this city. The politicians very clearly understood this though. They understood that we thereby represented a very dangerous threat to the city. They tried to pull out all the plugs to insure that their hand-picked flunkies got elected to as many of the advisory council seats as possible. When the elections were over, CHTO representatives had only been elected to 7 of the 18 public housing developments in Chicago. The price of CHTO's political naivety is apparent now, today, in 1981.

The situation in Cabrini-Green is worse now than it was in 1965. Community activists have either moved or been forced out (like myself) or have sold out to the establishment completely. Those that do none of these things have fallen back into a state of hopelessness. I have not given up though. Many of us have hung on in there. Myself, along with Cabrini-Green residents and other community people, organized the Tranquility Memorial Community Organization in 1975. It was organized to continue our organizing work on the Near Northside and especially in the Cabrini-Green housing development. We were the only group that opposed the politically-motivated move of Mayor Jane Byrne into Cabrini-Green. We represented over 60 tenants who were faced with eviction as a result of the Mayor's move into Cabrini. We won 59 of these cases; one case is still pending. Tranquility was also responsible for setting up political education classes for residents of Cabrini and the Near Northside. These classes were set up to help the residents define and analyze for themselves why the poor conditions are allowed to exist in Cabrini and throughout the city. We hope they come to the realization that the situation in Cabrini-Green and the many other concentration camps across the city, is by design and not by accident based on the question of who shall control the land.

The Struggle continues. Only when public housing residents are able to define for themselves the standard by which they must live, and recognize that decent,

safe and sanitary housing housing is a right, not a privilege, only then will conditions in Cabrini-Green and other housing projects change.

Public Housing in the City of Chicago

by Jerome Hunt, Resident, Dearborn Homes
(Dearborn Homes is part of the public housing project that includes the Robert Taylor Homes)

The purpose of this paper is to discuss the living conditions in a public housing complex, how tenants have attempted to resolve their problems, and recommendations for improving public housing. This paper represents my beliefs as a resident of public housing.

Babies crying. People dying. Elevators not working. Damn near half of the population is on dope. These are some of the first thoughts that touched my mind when I think of the living conditions in Dearborn Homes.

Dearborn Homes was built in 1949. My aunt and uncle moved over here in 1950. They said that it was a beautiful development. I was 10 years old then and it didn't look beautiful to me, but it was better than the rat infested old slum buildings that were so familiar to most blacks who had come from the South to live in Chicago. When I was about 12 years old I was visiting my aunt and uncle. I was sitting on the bench enjoying the summer breeze when two older fellows came to me with guns out looking for someone who lived in the development. When I went upstairs to explain this to my aunt she could not believe it. One of the biggest problems in public housing is the use of dope by young people, and when these people can not get the narcotics because of lack of money, they start robbing and burglarizing the residents within the development.

Then we have the problem of the gangs. These are mostly young boys and girls who have dropped out of school for one reason or another and cannot find employment. They terrorize the older people and the young school kids. Young mothers who are the head of the household are afraid for lives and the well being of their kids. The community tried to have a skating program for the kids during the summer months while school was out, but because of the shooting by the gang members and the fights we could not continue this program. The parents are afraid to send their kids to school, afraid to send their kids to the store and are generally afraid because of the place where they live.

When you live in a high-rise building it is very important that the elevators work. Elevators in public housing are a major problem, not because these elevators are broken down by residents, but because the elevator companies are allowed to make millions of dollars on repairs. But they do not make those

repairs, nor do they do basic maintenance work to keep the elevators working.

Today about 40% of public housing apartments are rented out to young unwed mothers. Most of these young ladies have not finished high school and cannot support the children that they have. Another 40% of the residents are older women, heads of households and were born in the South with very little education. Their children are now raising children in public housing and on aid. The other 20% of the residents consist of families with both a father and a mother. Most of them are working and have managed to pull themselves up to some economic stability in the community. Under the Reagan administration some of these people are now being asked to pay an unreasonable amount of rent to continue to live in public housing.

Maintenance service has been cut drastically. Garbage compactors that do not work properly are bringing more rats and roaches in the building. The stench around the compactors in the summertime is unbearable. Janitorial service has been cut back.

The Housing Authority now has a program to remove problem families. Where do these families go? Where did they come from? To me these families came from institutions of racism: the economic institutions of racism, the southern states, which did not allow these people to earn a decent living, did not allow these people to own land, did not allow these people to vote, and did not allow these people to be citizens of this country; the educational racist institutions, which did not allow these people a decent education and did not teach these people how to live and work in an industrial society; the religious racist institutions, which did not preach the gospel that all men are equal and free in the eyes of God, would not allow blacks in their churches and failed the country as a whole by denying a rightful place for some of its children.

Blacks came to the North looking for a better place to live, a better place to raise their children and found a situation that was more devastating than the place they had left. We did not hear of blacks participating with dope, committing suicide and abusing their kids until they started dealing with the conditions in the North.

If conditions in Dearborn Homes and throughout this country are going to change, it will have to be through an educational institution that is geared to bring the ability of the poor out of the dark ages. It would have to be economical institutions that are willing to make people their most important product.

It will have to be with religious institutions teaching Christianity and respect for all men regardless of race, creed or color.

Conditions in my development will not change until the institutions that surround us change their attitudes and recognize that they cannot continue to exist if they have not planted a shade tree where they know they will never lie.

How Tenants Have Attempted to Resolve Their Problems

During the civil rights struggles in the 1960s, there were attempts by residents who lived in public housing to form a city-wide organization. One after the other these organizations failed. Then the Chicago Housing Tenant Organization (CHTO) was formed and this organization was successful in forcing the Chicago Housing Authority to set up tenant organizations throughout the city (Local Advisory Councils).

One of the big issues at that time was how modernization monies were to be used. Under the modernization program set up by the Federal government tenants were supposed to participate in decision making. This was one of the key factors in bringing about resident involvement. Companies that contract with the authority were now obligated to hire some residents during the course of their contract with the authority.

Another issue was the late charges added on to rent payments. Welfare recipients that lived in public housing were being charged by the Housing Authority \$15.00 extra each month because they were receiving their welfare checks in the middle of the month and, therefore, were not able to pay their rent at the beginning of the month. When we looked at the Illinois law it clearly stated that two agencies could not have conflicting policies that would result in hardship for the recipient. Therefore, we were able to get the Housing Authority and the welfare department to come to an agreement that would not inconvenience the recipient. The authority now has a dual rent schedule to accommodate recipients that receive their checks in the middle of the month and the \$15.00 late charge has been abolished by the authority.

A third and still unresolved issue is the inadequacy of laundry facilities. Most apartments throughout the Housing Authority are not set up for washing facilities. Therefore, it was necessary for the authority to have washing facilities available for residents in a common area. When the facilities were set up by the authority there were no provisions made for a laundry

room attendant and the machines were constantly vandalized. This problem went on for a few years and cost the authority unnecessary expenditures.

The resident organizations were able to set up new facilities and keep them going with the help of modernization funds. One of the major problems that faced the laundry room program throughout the authority at this time was not having qualified repairmen to keep the machines running properly. Most repairmen do not want to work in public housing. This is a problem that must be resolved in order for residents to continue washing in a common facility. If this problem is not resolved, residents will start washing in their apartments and this will bring about a plumbing problem. The cost could be astronomical. It is mandatory that the situation be resolved.

Lack of elevator maintenance is another unresolved problem. Anytime you live in a high-rise building it is mandatory that you have a decent transportation system. In the Chicago Housing Authority elevators are a major problem. This problem has been brought on because no basic maintenance work is being done on elevators and vandalism to the elevators by residents is prevalent.

At this time there is an effort by the resident council and the new administration to resolve the elevator problem. But the new administration is making the same mistakes as the old administration by not involving residents in the decision making process. In addition, it is spending close to a half a million dollars a month for the elevator program, far more than is necessary. Elevator crews should be cut down to approximately twenty crews. This would cut the cost in half. Each crew should be assigned a specific route of approximately twenty elevators apiece, then the authority would be in a position to spot check the elevator repairman's work. The authority could then monitor the performance of each crew by the work tickets that are turned in on a daily bases. Until the authority take these steps, we will continue with an elevator program that is not cost effective.

Another concern is the high cost of housing. The Brooke Amendment was intended to help very low income people pay their rents; it only allowed the Housing Authority to charge 25 percent of a resident's income. When you move into public housing you must qualify by the amount of income that you receive. Some people are fortunate enough to bring their income up to a livable standard, but cannot afford to

go out into the private market at this time because of the high interest rates.

Now the Chicago Housing Authority Board of Commissioners with the consent of the Mayor has seized this opportunity to raise some people's rents as much as five and six hundred dollars a month when it only cost the authority \$238.00 to maintain the average unit. Why would they force people to pay this type of rent? It is not the responsibility of average income people to subsidize public housing, but basically this is the position that these people are put in. It is my belief that if this problem is not resolved in the near future that it will be an issue in the 1983 mayoral elections.

Security in public housing has been a problem for years. The problem is even worse in some senior housing buildings, where no security guard program is in effect. This month the housing authority announced that the Chicago Police Department will take over security in public housing. We can only hope that the situation gets better. Another problem is the lack of night emergency service. Some of the major problems that occur after 4:30 p.m. are inadequate elevator service, fires in the apartments, fuses blowing out, loss of keys to apartments, busted water pipes and no heat. The authority has set up various programs to combat this situation, but most of these programs have not been successful; for instance, the night elevator program, where 60% of the elevators down at night are not repaired. This causes a great inconvenience to residents. When a person's fuses go out in the apartment and he or she does not have access to the prime room, where the main fuses are, this in an inconvenience. The only way public housing in the city of Chicago will have a successful night emergency program will be to set up a night department to deal with emergencies. This department must be completely controlled by the authority.

Another current issue in public housing is problem families. The housing authority and residents have recognized the problem families for some time and now have decided to take some action. A committee on problem families was established about one and a half years ago, to make recommendations to the Commissioners for improving the screening and eviction of problem families. The committee consists of representatives from Central Office Management, Local Management Offices, and the Central and Local Advisory Councils. The committee agreed to a two-phase approach in carrying out its assignment: The first phase covers recommendations for improving the

screening and eviction of undesirable families. The second phase deals with recommendations for helping existing CHA families overcome their problems and thus avoid evictions.

After the committee completed the first phase of this assignment, a copy of the committee's report was sent to all LAC Presidents. Any comments in the list of recommendations were to be submitted to the Central Office Management Department by August 22, 1980. The committee then started working on the second phase of this assignment for helping existing families overcome their problems and thus avoid evictions. A copy of that report was sent to the LAC Presidents for their comments. (see appendix I for a copy of that report and subsequent communication between the committee and the CHA).

Only time will tell if we are able to solve the problem of problem families in public housing. But for those families that are evicted, they still have a problem. With major cut backs by the Federal government in social programs, what agency will now be able to assist these families? To what extent will these problem families effect society in the future?

Yet another problem is the high cost of labor for maintenance purposes with the severe cut backs in Federal spending and the high cost of union labor, public housing in the city of Chicago will have to find a more reasonable cost effective alternative for its maintenance problems. Contractors and craftsmen have done very poor maintenance work in the past and because of the political climate these practices have almost destroyed public housing in the city of Chicago. Appendix II contains a letter from the Department of Housing and Urban Development echoing this problem.

Insect and rodent control is another concern. A few years ago the housing authority closed down its incinerators and installed compactors throughout public housing. The residents were told that because of the Federal environmental laws, this was necessary. When compactors started being installed in various housing developments it was learned that officials of the housing authority owned the company that was installing the compactors. Most of these compactors have given the authority trouble since they have been installed. Because of this situation insects and rodents are now a major problem throughout the authority. This problem we still do not have a solution for.

Recommendations For Specific Programs To Make Public Housing Livable

- 1) Politics should be taken out of public housing.
- 2) Residents should have control.
- 3) Federal subsidies should go directly to residents of public housing.
- 4) Residents should be able to purchase public housing.

Public housing throughout the country has been a patronage program at the national level for craft unions. Millions of dollars have been wasted. It is time for families that live in public housing to control where they live. This is what the Republic of the United States of America stands for. Self-determination, and self-dedication by the families in public housing would make public housing livable.

The Organizers

Tenants Organizing for Stable Neighborhoods

by Ralph Scott and Karen Walker, The Hyde Park Coalition on Housing and Tenant Rights; Mosi Kitwana and Bob Adams, The Housing Agenda; and Hans Hintzen, Leadership Council for Metropolitan Open Communities

Introduction

Chicago's dual housing market, with its pattern of residential segregation and rapid racial change has been studied at length by a wide variety of observers and participants, most often with an emphasis on working toward an integrated market for single family, owner occupied housing. But the damage caused by separate and unequal housing opportunities for low and moderate income, Black, and Hispanic Chicagoans is not limited to that shrinking minority who can afford to buy homes. Renters have also been hit by what we will describe as a cycle of racial and economic changes which can be observed in one state or another in any one of many neighborhoods where the vast majority of the residents are tenants.

In these dark ages of high interest rates and low housing starts many people who formerly cherished the dream of owning a house with a lawn and a two car garage can now look forward to a long if not permanent period of renting. For many others, it is not a matter of losing a dream, but of finding an apartment that is warm and safe and still having enough money left after paying the rent to buy food and clothing. Hundreds of thousands of people must search for safe and affordable housing for months or

even years, with no assurance that once they succeed they will not have to start over again with the next round of condominium conversions or high-rent rehabs. Increasing numbers of tenants competing for a decreasing supply of rental housing may soon make Chicago the equal of Boston or New York in at least one respect, the high cost of housing.

For Black and Hispanic renters, the problem is compounded by the fact that large areas of the city and suburbs are closed to them. They are left with the choice of living in neighborhoods that have been abandoned or neglected by white property owners, and now suffer from the economic and social ills that are often wrongly identified with "minority communities", or of facing subtle discrimination or overt hostility from racist property owners and managers in all-white neighborhoods in order to get the best possible home for their money.

When a white neighborhood composed of moderately priced multi-family rental housing begins to "open up," temporarily participating in both sides of the dual housing market, the increased demand for apartments causes a corresponding increase in rents. The rising rents along with the departure of those white tenants who flee to the next adjacent closed community begins a cycle of rapid tenant turnover.

The white property owners, who have long since moved from the neighborhood, either sell their buildings for fear of incurring a loss or refuse basic maintenance service to their increasingly mobile tenants. A period of real estate speculation and deteriorating building conditions follows in which the structures are bought and sold as tax shelters or on the

gamble that the neighborhood will be "revitalized." This may go on for some time until the neighborhood is "regentrified" by buyers who convert their buildings to luxury apartments or condominiums, or, in special cases, by larger urban renewal projects involving massive infusions of state and federal funds.

Thus the dual housing market meshes with the economic conditions of the low to moderate income tenant community in a cycle of escalating rents, deteriorating living conditions, and forced displacement. The tenants, black, brown, and white, are pushed from the lake, from the park, or from the boulevard, into an even tighter space between the inner-city upper-middle class and the outer-city and suburban middle class communities.

Because they lack the economic and political power to make their concerns felt at city hall or in the state legislature, tenants must organize themselves to break through the circle of the unstable neighborhood. By joining with other renters in their buildings, they can overcome differences in outlook and ancestry to take responsibility for their living situation. As they organize, they learn more about the legal and economic problems that confront them, and what or who is creating them.

Sometimes the tenant organization may succeed in stopping a rent increase, or in getting badly needed building repairs done, but more often the leaders of the group will be evicted, and the rent strike will fail. In the following section, we will look at a tenant organization in the Hyde Park neighborhood of Chicago for specific examples of organizational solutions to tenants' problems.

Hyde Park Background

Chicago's Hyde Park neighborhood is an excellent example of a community that has undergone, within a relatively short period of time, the cycle of racial and economic changes that we have described.

Hyde Park was established as a suburb of Chicago in the late 1850's. The Illinois Central Railroad soon began to serve the area, and in 1861 the town of Hyde Park was incorporated. At this time, the town of Hyde Park included a much larger area than the neighborhood covers today.

At first, Hyde Park was composed of large homes and estates. However, lots became smaller with continuing subdivision, and the population grew. In 1889, Hyde Park was annexed to Chicago.

The Columbian Exposition of 1893 dramatically changed the area that we call Hyde Park today. Before

the Exposition, the community brought the building of apartments, rooming houses, and hotels. This development continued into the early 1900's.

In 1893, the University of Chicago moved to Hyde Park, and a residential area grew up around the university for faculty and staff.

By the 1920's most of the housing that exists today had been completed. The population of the Hyde Park neighborhood was 37,523, mostly Irish, Germans, and Russian Jews.

After 1920, for many years, Hyde Park became the home of increasing numbers of transients. The population increased further, and these additional people were accommodated mainly by converting apartment buildings to rooming houses containing more, smaller units.

World War II and the lack of building materials resulted in poor maintenance of many of Hyde Park's buildings through the early 1940's. This, and the cutting up of apartments and homes into smaller units led to areas of blight.

Blacks began entering the neighborhood in the 1940's, with the pace accelerating after 1948, when the U.S. Supreme Court outlawed the use of restrictive covenants in the transfer of real estate. Such covenants had been used for years to keep Blacks out of the area.

The influx of Blacks brought dramatic changes. Large apartments and homes continued to be converted to smaller units. The population increased sharply, with many whites leaving the area, and an even greater number of Blacks moving in.

In response to "blockbusting," illegal conversions of buildings to rooming houses, and physical deterioration, the Hyde Park-Kenwood Community Conference (HPKCC) was formed in 1949. Its objectives included prevention of building deterioration in the community, and improvement of race relations.

There was much opposition to the HPKCC's desire for integration from property owners, business people, bankers, business based service clubs, and the University of Chicago administration. In May of 1952, the Southeast Chicago Commission (SECC) was formed. The SECC was initiated, funded, and controlled by the University of Chicago, and, to a lesser extent, by area business interests. This organization began to move clout than the HPKCC had been able to achieve.

With strong University of Chicago input, a complex body of law was enacted by 1954 to set up the urban renewal machinery at the city, state, and federal levels as quickly as possible. The University of Chicago and the SECC set up a planning unit housed at the

university in 1954 to begin receiving grants to develop plans for a physically attractive, well-served, non-discriminatory community where people with similar standard would live.

Work began almost immediately on plans calling for the clearance of dozens of acres of land in Hyde Park, including about 20 percent of all of the community's housing. It was not until November of 1958, however, that the Chicago City Council approved the Hyde Park plan.

The plan had the support of the HPKCC, but a group calling itself the Hyde Park Tenant and Homeowners Association, which drew much of its support from the Black areas of Hyde Park marked for demolition under the plan, actively opposed it.

The implementation of urban renewal continued with full force into the 1960's. The scope of the changes are revealed in a comparison of the 1960 and 1970 censuses.

Between 1960 and 1970 the total number of housing units fell from 19,621 to 15,683, a drop of 21 percent. For rental housing, the drop was even sharper; from 15,889 to 12,075 a 24 percent decrease. The proportion of all housing units which were rental fell from 80 percent to 76 percent. These numbers give only a minimal estimate of housing units destroyed, since housing constructed after 1960 is included in the 1970 figures.

While the total Hyde Park population dropped 12,019, there was only an 18 percent decrease in the white population, while the black population decreased by 39 percent. With respect to socio-economic status, there was a 39 percent decrease in wage earners, while the number of salaried or self-employed workers rose by 15 percent.

Since 1970 other phenomena have been responsible for the continuing regentrification of Hyde Park; the conversion of thousands of rental units to condominiums, high-cost co-op conversions, high-rent rehabilitation (often with the aid of government subsidies), and the continuing acquisition of residential buildings by local institutions (especially the University of Chicago) for their own use.

The Hyde Park Coalition on Housing and Tenant Rights

In 1978, growing out of fights by Hyde Park tenants against the conversion of their apartments to condominiums, co-ops, and luxury rentals, a community-wide tenants group was formed to help tenants organize themselves to deal with their problems, and especially

to stop the displacement of low and moderate income residents. In the spring of 1980, this group, called the Hyde Park Tenants' Union, joined forces with the housing committee of the relatively new West Hyde Park Community Organization, which organized in the predominantly Black half of Hyde Park, to form the Hyde Park Coalition on Housing and Tenant Rights. The primary goal of this group was to preserve the economic and racial diversity of the neighborhood in order to achieve *true* stability, helping the targets of gentrification to organize and struggle to remain in their homes.

The Blackwood Apartments

The Blackwood Apartments, a 144 unit hotel-style building located at 5200 South Blackstone Avenue, was built in the 1920's and was considered to be an elegant building until it began to decline in physical condition about fifteen years ago.

Anticipating the eventual sale of his building, the then owner of the Blackwood began cutting services and allowing the building to deteriorate several years prior to its sale.

In the 1960's and early 1970's the Blackwood was a stable, racially integrated building. In 1980, one tenant recalled that even three or four years earlier the racial mix had been about 60 percent Black, and about 40 percent white and other. By the spring of 1980, however, the Blackwood was 90 percent to 95 percent Black. Many of the residents were low to moderate income families, and some had lived there for many decades. The population was a mixture of young, single people, young couples with small children, and senior citizens who lived alone.

By spring, 1980, there had been serious physical problems in the building for quite some time but the tenants had not been organized to deal with these problems. In the previous years, the residents had paid increasingly higher rents for increasingly fewer services. Complaints went unheeded, and repairs were neglected.

In May of 1980, the Blackwood was sold to developers who planned to do extensive renovation. About two months before the building sale was closed, the tenants began receiving letters from the management company. Although the letters varied, the early ones usually offered benefits to tenants who would move before the expiration of their leases (most of the leases ran until September, 1980).

The tenants who failed to take advantage of these offers (a majority) then began to receive more intimi-

dating letters. Tenants were told that major construction work would begin in their building during April, and that those who remained would do so at their risk. Some residents were intimidated into leaving at this stage, but most were not.

Finally, in June, the new management company decided to get tough with the 90 or so families still living in the building. On June 2, representatives of Sabina Realty entered the building without warning and took the lock off the outer door, fired the switchboard operators, and destroyed the switchboard by severing the wires. Within the next two weeks, major demolition began in the vacant apartments, hallways, and lobby. At this point the tenants, who had depended upon the switchboard and its operators to provide security, fire and elevator alarms, and mail distribution, became understandably upset and began to organize.

Although the tenants organized under pressure and in the midst of a crisis, they were, nevertheless, able to accomplish a great deal. Within ten days of the switchboard incident they had organized a functioning tenants union, elected officers, replaced the buzzer lock on the front door, made arrangements for tenants to sit at the front desk on a volunteer basis, contacted the newspapers, and secured the services of two attorneys from the Legal Assistance Foundation and one private attorney who offered her services free.

The Tenants' Fight

The Hyde Park Coalition on Housing and Tenant Rights (HPC) began to assist the Blackwood tenants during the first week in June, just two or three days after the switchboard had been disconnected.

By the time that the major remodeling and demolition had begun, most of the tenants were already discouraged and had already lost hope that it would be possible for them to remain in the building through the remodeling, they would still not be able to afford the post-redevelopment rents which would be more than double the rents they were currently paying.

A substantial minority of tenants, however, still wanted to fight to remain, even though they recognized that their chances for this were not good. At an early tenants meeting a strategy was adopted to stop the demolition and harassment and to get the building restored to a safe, decent condition for the duration of the tenants' lease periods. This, the tenants reasoned, would be an essential step whether or not they were going to fight to remain over the long run. If this first goal could be realized, the tenants agreed that their

second step would be to try to negotiate with the new owners about how those who wanted to remain at the Blackwood could do so.

After the tenants decided what their goals would be, the HPC helped them develop a strategy for their fight. Although the HPC members involved tried not to influence the tenants' decisions about whether or not to try to prevent their displacement, the Blackwood tenants have since said that simply having the support of the HPC at that time gave them more confidence about what might be possible if they put up a fight.

One major part of the tenants' strategy involved trying to keep the attention of the news media focused on the situation in order to pressure the owners to deal with them. They were very aggressive in soliciting news coverage, and this approach was highly successful. Three local papers, the Chicago Defender and Channel 7 covered the Blackwood story on a continuing basis.

Because the redevelopment was being carried out under a HUD mortgage insurance program, it was thought that HUD might be willing to intervene on behalf of the tenants. The PHC organizer and a few HPC members accompanied the Blackwood tenants to their first meeting with HUD officials. HUD, however, simply refused to acknowledge that they had any responsibility to take action to get the new owners to halt or moderate their work and restore what they had already destroyed. HUD also refused to intervene with the owners to push them to give the tenants consideration for rent subsidies (for which the use of the HUD mortgage insurance made the building eligible) and the option to remain.

The tenants then made attempts to negotiate directly with the new owners, but the owners wanted only to talk to individual tenants while refusing to deal with the tenants collectively.

By this point the HPC was assisting the Blackwood Tenants' Union (BTU) leaders in conducting door-to-door visits to all the apartments. These visits served several purposes:

- 1) To recruit tenants to become more actively involved in BTU.
- 2) To get information about the efforts the management was making to divide or weaken the BTU, intimidate individuals or trick individuals into giving up their legal rights.
- 3) To disseminate information to all tenants about recent developments.
- 4) To assess the mood or spirits of the tenants.

5) To find out what special problems individuals might be having with apartment conditions, rent payment, etc.

6) To find out what issues each tenant felt should be of highest priority for the BTU to address.

These door-to-door visits continued on a frequent basis throughout the remaining four months that the tenants occupied the building. Full building meetings occurred about once every two weeks in August and September. Meetings or phone discussions took place almost daily between the BTU leaders and a few HPC people who were assisting the tenants.

On June 13, with the HPC's assistance, the BTU put out its first building newsletter. Four more newsletters were put out over the next month, supplementing the door-to-door communication.

In Mid-June the tenants also distributed several hundred copies of a "fact sheet" throughout the neighborhood, explaining what was happening at the Blackwood and inviting interested community residents to a meeting with the tenants. This resulted in a few neighbors attending and giving financial as well as moral support to the Blackwood tenants, giving the tenants a great psychological boost.

Other efforts to reach out for more community support included two speeches given by the BTU president at Operation PUSH and meetings with the local alderman. Later, representatives from PUSH and the alderman appeared at the tenants' court hearings to lend their support.

On June 20 the tenants went to court and they were able to win an emergency injunction which halted demolition and directed the owners to restore the building to a safe and habitable condition. Although the owners did everything in their power to delay complying with the court order, they did eventually restore the switchboard, replace the operators and secure the open, partially demolished apartments.

The tenants went to court several times between June and September, and they were able to keep the injunction in force with only minor modifications until mid-September. That they were able to do this despite the owner's almost weekly attempts to weaken the court order and almost daily attempts to divide and trick the tenants is a testimony to the good communication and trust that the BTU developed. The Blackwood certainly would have become unlivable if the tenants had failed to create a solid tenants union.

While the injunction remained in effect, the owners were losing several hundred dollars a day on interest they were paying on a construction loan of about \$2

million. With this leverage, the BTU and the HPC believed that the owners would be forced to negotiate with and give concessions to the tenants. It was felt that it would be possible not only to get monetary settlements but also to get arrangements for the tenants allowing some of the rehab work to proceed. In retrospect, however, it is clear that this strategy was based on a miscalculation; the owners used the negotiations for their own purpose of keeping tabs on the tenants' relative strength. Several times when a settlement seemed near, the owners would back out of it at the last minute. The owners picked such moments during which the tenants were "off guard" to try some new gambit in court or a new ploy to trick a few more tenants into moving.

As the owners delayed, tenants gradually began moving out, shifting the balance of power.

During July the HPC discovered that the Lake View Citizens Council Tenants Rights Committee was involved with tenants in two other hotel-apartment buildings in their neighborhood which were also owned by American Development and managed by Sabina, and in which similar problems were occurring. A Blackwood tenant and two HPC members attended a meeting of these Lake View tenants. The information which was shared at this meeting helped each group better understand their enemy. This knowledge also hardened the resolve of the Blackwood tenants against their landlord who they now knew to be treating other tenants unconscionably as well.

Soon the Lake View and Hyde Park groups began to do more research on American Development and Sabina, using the Freedom of Information Act to obtain from HUD these companies' unfavorable "Previous Participation Reports" and "Management Reviews" concerning their developments in other cities. Information was exchanged with tenant and community groups in Denver and Kansas City that had had similar experiences with these companies. It was found that these companies had been involved in more than 75 similar projects throughout the country, often involving major disputes with tenants and violations of HUD rules as well as tenants' rights.

The BTU and the HPC attempted to use this information to pressure HUD into taking some action against the developers. However HUD continued to say that they had no responsibility for the way that the developers dealt with the tenants.

By mid-September all but about 15 to 20 families had moved out, some because of the slowly worsening building conditions, others because their leases either

had already expired or would soon expire. By this time the remaining tenants knew their displacement was inevitable, and that no negotiated settlement for money or relocation assistance would be possible outside of their lawsuit.

On September 24, just three days before the last of the leases were to expire, the BTU and the HPC held a "funeral" for the Blackwood Apartments, mourning its "death" as an affordable rental building. In response to pressure from the BTU, the HPC and some local elected officials, two HUD officials—including the Chicago Area Director, Elmer Binford—attended this gathering. Although Binford publicly promised to assist the remaining tenants in finding new housing, HUD actually did very little.

Although the BTU was very successful with regard to its high level of participation, the orientation of its members toward direct action, the high quality of its internal communication and the sense of trust that existed among its members, the Blackwood tenants still were not able to prevent their own displacement. In hindsight, the objective conditions under which the Blackwood tenants struggled were perhaps too difficult for the outcome to have been much better even if the tenants had used a different strategy. The only other strategy that seems obvious for the Blackwood tenants to have tried would have been to focus on HUD as their main target, demanding that they take responsibility for preventing the demolition, harassment and even displacement. But based upon the limited experience the tenants had with HUD, it seems doubtful if much could have been accomplished with this strategy, while the more direct efforts to stop the demolition and make the building safe might not have been given enough emphasis to have been successful.

But even though the Blackwood tenants eventually had to move, they were able to do two very important things: protect their own safety and well being and call community attention to the problems tenants face with landlord harassment and displacement from neighborhood gentrification.

The importance of the HPC's role in advising, supporting and providing the assistance of an organizer to the BTU lies in the time and frustration saved because the Blackwood tenants did not need to "reinvent the wheel" to organize a strong tenants union and to plan a realistic strategy. The HPC has played a similar role in about five other buildings where tenants were fighting to avoid being displaced by some form of redevelopment (condo or high-cost coop conversion or high-rent rehab). The Blackwood is a typical case in

that usually the tenants are eventually forced to move. (In fact, only in one building were the tenants successful in stopping their displacement). But the HPC has learned a great deal about which strategies work and which do not under a variety of circumstances. Without assistance from an experienced group which can see the issue from a long view, it would be less likely that the Blackwood tenants would even have been able to protect themselves as effectively as they did, much less have been able to raise the gentrification and displacement issues in the community as sharply as they did.

The existence of a community-wide tenants' groups like the HPC also gives continuity to separate struggles over the same issue which take place at different times and in different buildings. For example, tenant leaders from one building often become volunteer organizers, helping tenants in other buildings who are facing problems with which the former leader is very familiar. The community-wide tenants group is also in a unique position of being more familiar with a housing problem that manifests itself in a slightly different fashion over and over again in different buildings. This experience gives the community-wide tenants group the perspective from which to propose possible comprehensive solutions to such housing problems.

With regard to developers doing major demolition and construction in buildings occupied by residents whose legal tenancy has not expired, the HPC has worked on two approaches for alleviating this problem. The first is a legislative approach to require developers doing major rehab to give tenants a notice ahead of time, in a manner comparable to the way tenants are given notice prior to condominium conversion. The HPC was asked by State Rep. Barbara Currie to help draft a proposed state statute to require this "rehab notice." HPC's second solution to this problem is a document called the "Hyde Park Rehab Covenant" in which are contained standards of fairness, decency and safety to be followed by anyone doing rehab in Hyde Park. The HPC's campaign to get all area developers to sign this Covenant has gotten off to a good start, with it being signed by a very prominent developer. It is thought that if developers follow non-disruptive procedures doing rehab in the neighborhood, the irresponsible developers (who rely on ignoring the rights of tenants legally occupying their apartments in order to expedite their redevelopment and profit making) will no longer find it profitable to do their kind of redevelopment, thereby

reducing the total amount of gentrification and displacement.

Conclusions

The need to stabilize, control, and provide safe and affordable housing in low income, Black, and Hispanic communities is growing as the dual housing market tightens. The upper income, predominantly white housing market is shrinking because of high interest rates and prohibitive new residential construction costs. The low income housing market is shrinking because tax incentives to real estate speculators and government housing programs encourage upper income housing market participants to move into neighborhoods where the low income housing market functions. While people with greater incomes move into neighborhoods once limited to the low income housing market participants, traditional institutional barriers such as racism and housing discrimination restrict low income, Black, and Hispanic residents from having safe housing options.

The most important activity that tenants can involve themselves in is organizing. Organizing is the first step in the process of influencing, stabilizing, and controlling their communities. The problems that exist in the dual housing market must be confronted in the neighborhoods by organized tenants, particularly organized low income housing market residents, Blacks, Hispanics, and low income residents.

Organization should take place on several levels in order to be successful; the building, the neighborhood, and the metropolitan area. Building organization is important because tenants are in the same circumstances with others in their building; they all pay rent and they all suffer from the same poor conditions or the treat of displacement. Organizing promotes a clear line of communication to the building management that, if strong enough, cannot be ignored by them. It also promotes as well as to solicit assistance from neighborhood and technical assistance organizations.

Block and neighborhood tenant organizations are important because they support building tenant organizations and individual tenants. They serve to link tenants in one building with tenants in other buildings on the block, or in other neighborhoods that may have similar problems. Links with technical assistants and other resources people are enhanced. Perhaps the most important service that block and neighborhood tenant organizations do is to encourage and sustain their efforts when they meet with strong resistance.

The Blackwood building case study demonstrates the need for tenants in a building under the threat of significant residential turnover from lower income residents to organize themselves. The development of the Blackwood tenants, as well as the impetus to continue with the struggle for their rights to remain in their neighborhood was actively supported by the neighborhood tenant organization. The neighborhood organization researched the developers history with the Department of Housing and Urban Development, and asked HUD to intervene for the tenants. Although HUD refused, this was an important option which the building organization might not have been aware of without the presence of the neighborhood tenant group.

Metropolitan-wide tenant organizations are best used to consolidate the political power of tenants. In addition to promoting the enforcement of building safety and code violations, monitoring displacement, and supporting building and neighborhood tenant organizations, the collective interest of tenant organizations must be to protect tenants through legislation and the accountability of public officials.

Today there are many obstacles to effective tenant organizing. Some of these obstacles are rooted in law or government policy, and until the government removes these obstacles, it is contributing to the housing crisis faced by low and moderate income families, Blacks, and Hispanics.

One of the primary obstacles to tenant organizing is tenants' fear of landlord retaliation. Many states and cities do not have laws to protect tenants such as "just cause" eviction laws or laws to prevent retaliatory evictions. Such laws are needed at the federal level.

Tenants must have basic recognition of their right to bargain collectively with landlords concerning rents, leases, and building conditions. For this reason, tenants' counterpart to the Wagner Act should be adopted.

Most government housing programs do not have provisions to protect tenants from displacement. As the Blackwood Apartments case illustrates, when tenants have no legal recourse to prevent their displacement they are less enthusiastic about organizing to resist any of the other problems that they face. Strong anti-displacement regulations for housing programs assisted by any level of government are badly needed.

There have been recent cutbacks in federal programs which have provided staff for tenant organizations. Several Chicago organizations who work with

tenants have lost staff as a result of cuts in VISTA alone. The true economic and social costs of these cuts, given the housing crisis developing today, will be much higher than the small savings they will produce.

Recent restrictions in the application of the Freedom of Information Act have made it difficult for tenants to get information from government agencies concerning plans for their buildings or communities. With less information, the availability of which is subject to arbitrary delays, tenant organizing is frustrated. In the area of housing, there can be no excuse for government secrecy concerning plans for developments in which the government is involved.

There are other areas, outside of those that bear directly on tenant organizing, where law or government policy changes could help alleviate our present housing crisis. In general, most federal housing programs are designed for the benefit of developers, with the housing needs of low and moderate income people given only secondary consideration. But even these problematic programs, including the Section 8 program, are now being threatened with destruction. The number one housing priority of the federal government should be to continue to build and maintain affordable housing for low and moderate income people, including both public and private, subsidized housing.

As the Blackwood case illustrates, the federal government does not take adequate measures to prevent the use of their housing programs by developers who have poor records in the areas of building management or landlord-tenant relations. Poor performance should disqualify developers from participating in federal and state housing programs.

Federal tax laws which allow landlords to deduct building depreciation from their tax bills encourages the frequent resale of rental property, resulting in higher building costs (hence higher property taxes), additional costs associated with the real estate transaction, and, usually, higher financing costs for the new owner. All of these increases are passed along to the

tenants in the form of higher rents. Frequent resale of rental buildings discourages owners from making long-term investments in cost saving measures such as weatherization which could hold down housing costs over time.

Federal tax laws also encourage condominium conversion, taxing the profits on the sale of buildings to developers at the capital gains rate which is lower than the rate at which ordinary income is taxed in the higher income brackets.

Federal tax law should be written to help those who need tax breaks the most; the renters. It also should reward owners of rental property who maintain and keep their buildings over the long run, and not speculators and slumlords. Profits gained through real estate speculation should be taxed at a much higher rate.

Rent control can be a tool for preserving neighborhoods by preventing displacement which results from rapid rent increases. Although rent control may only be a short term measure to get through a period of severe shortage of rental housing, the stability that it could help produce might reduce the need for expensive public or private measures to deal with the socially detrimental effects of neighborhood instability. The federal government, if it will not support national rent control measures, should at least refrain from weakening or eliminating local rent control laws, as a Presidential Task Force has recommended.

These proposals will not solve all the problems of low and moderate income, Black, and Hispanic tenants in the dual housing market, but it will make it possible for tenants to organize to solve these problems themselves. The dual housing market has shown no signs of relaxing, and is indeed growing worse as the economy tightens. In this new era of free enterprise, it is time that low and moderate income, Black, and Hispanic tenants be allowed the opportunity to freely and effectively organize to assert their own interests in order to break through the hardships of a housing crisis that threatens to leave them homeless.

Mortgage Lending, Blacks and Hispanics: From the Dual Housing Finance Market to Reinvestment to a Unitary Unsatisfactory Market for All

by Dennis R. Marino, Woodstock Institute

This paper has been prepared for the Illinois Advisory Committee of the U.S. Commission on Civil Rights for use during its conference "Chicago's House Divided—Public Housing and the Dual Housing Market."

The focus of the paper is the access of minority families to affordable conventional credit to finance housing purchases in inner-city neighborhoods.

The objectives of the paper are:

- 1) To define the dual housing market and trace its evolution;
- 2) To assess the impact of the reinvestment movement on the access of minority families to affordable conventional mortgage credit;
- 3) To analyze the impact of high interest rates and adjustable rate mortgages (ARM's) on inner-city consumers, especially minority families;
- 4) To evaluate the recommendations of President Reagan's Commission on Housing, especially those recommendations which address the availability of credit in inner-city neighborhoods and;
- 5) To suggest recommendations for improving the access of minorities to affordable conventional credit, and for making adjustable rate mortgages less onerous for consumers.

Dual Housing Finance Market—Introduction

The historic definition of the dual housing market for single-family housing is the existence of two separate supply-demand relationships. It is a segmented market in which both buyers and housing to-be-bought are divided along racial lines.

The dual housing finance market has been defined also as two separate supply-demand relationships, often divided along racial lines. The analysts who have developed the dual finance market theory have contended that conventional financing has been restricted to whites, while blacks and hispanics have been restricted to contract, cash or government guaranteed financing.

It is clear that the traditional theory of the dual housing finance market does not totally describe the housing finance markets in many cities today as accurately as it has in the past. Increasingly, black and Hispanic neighborhoods have been able to secure

access to conventional credit, although admittedly there are still many lenders who continue to fail to make conventional financing available in minority neighborhoods.

Through a combination of lender initiative, community pressure, the Community Reinvestment Act and shifts in institutional perceptions, some financial institutions, such as Talman-Home and First Federal Savings and Loan Associations, have increased their lending in minority neighborhoods dramatically. Since mid-1979, however, housing finance markets have been in turmoil due to high interest rates, and more recently, the elimination of the fixed rate mortgage.

The Evolution of the Dual Housing Finance Market

The following traces the development of the dual market through two significant financing mechanisms on which minority families in Chicago have been dependent: contract sales and mortgages insured by the Federal Housing Administration. Contract sales were the primary means of financing in minority and racially transitional neighborhoods in the 1950's and 1960's. FHA-insured mortgages became a major source of financing for minority families in the late 1960's.

Contract Sales

Prior to the late 1960's, the Federal Housing Administration and most conventional lenders were not financing homes in areas of minority concentration. Lack of conventional and FHA mortgage money forced blacks and other minorities to buy homes on a land installment contract. Frequently, speculators would purchase homes from white residents in areas by using the fear of racial change to force residents to sell their homes in a hurry for much less than the true value. These speculators would make a few minor alterations or repairs to the homes and then sell them on contract to black buyers at highly inflated prices.

In order to carry out this process of profiteering on racial fear, these speculators, most frequently realtors, depended on a line of credit to finance their own mortgages on the homes they bought from fleeing whites. Typically, the speculators developed lines of credit with smaller savings and loans. When the house was sold on contract, the buyer did not have a mortgage but made installment payments. Under this arrangement, the buyer built up no equity and did not gain title until the last payment was made. If a single payment was missed, the speculator, who was the legal

owner and mortgagor, could repossess the home and sell it to someone else.

In the long run, so many buyers defaulted on their inflated payments that the speculators, in turn, defaulted on their own mortgage payments. This created huge losses for the institutions which had provided the mortgages for the speculators.

These practices abetted and alienated many minority homebuyers. They also resegregated and contributed to the destruction of the viability of many neighborhoods.

Many of the homes were sold in defective condition. The inflated contract payments stretched the resources of the contract buyers beyond the point where they could afford to maintain the homes. Many homes eventually became abandoned. One blessing was that the speculators depended on a very small source of capital, which restricted the scope of their operations. In addition, in the late 1960's two major class action suits were filed against contract sellers, participating lenders, realtors and HUD-FHA for allegedly participating in a discriminatory housing market (*Wells v. F. and F. Investments* and *Clark v. Universal Builders*).

The Emergence of FHA in the Inner-City

Pressure from civil rights groups, lessons from the urban riots, and the mandate of the 1968 Civil Rights Act were producing changes in FHA policies toward older, racially changing and minority neighborhoods.

Beginning in the mid-1960's, a change in FHA appraisal and underwriting standards provided buyers of inner-city housing with substantial opportunities for obtaining government-insured mortgages. Previously FHA-insured mortgages were usually made available in newer areas only. In November of 1965, the FHA Commissioner issued a statement of general policy which mandated the following:

FHA must stimulate and assist residential rehabilitation and financing of property transfers in all neighborhoods where values are sufficiently stable and long range prospects sufficiently promising to make insurance of long term loans a reasonable risk. Areas should not be excluded from FHA-insured loans because they are old and located in the central part of the city.

Unlike the FHA, most conventional lenders at this time failed to change their practices of not making loans available in racially changing and minority neighborhoods. In fact, with the expansion of FHA insurance in the inner-city, conventional financing was withdrawn more rapidly from transitional areas. This resulted in the reinforcement of the dual housing

market by making separate types of home financing available to different neighborhoods: conventional financing for white neighborhoods; and FHA-insured financing for minority neighborhoods and neighborhoods in racial transition.

The rapid, and relatively unregulated, infusion of FHA insurance into city neighborhoods transformed the scale of exploitation by contract sellers from an operation dependent upon the limited capital of a few local lenders to a massive process fed by the large capital flows of the mortgage originators who could avail themselves of FHA-insured programs. Some contract sellers simply attempted to modify the old system by selling the properties they bought to minority buyers via the use of FHA-insured mortgages.

FHA-insured lending continued to be the primary means of financing home purchases by minorities throughout most of the 1970's. Beginning in 1975, however, the reinvestment movement began to have an impact on the traditional dual housing finance market.

The Reinvestment Movement: Its Impact on the Dual Housing Finance Market

Since 1975, there has been a significant increase in the volume of conventional lending in minority neighborhoods in the city of Chicago. This has been especially true of Talman-Home and First Federal Savings and Loan Associations. These two institutions substantially increased their lending in the black neighborhoods of South Shore, Roseland, Englewood and South Austin.

Prior to 1975, each of these neighborhoods had difficulty attracting conventional financing. Consequently, they were heavily dependent on FHA and VA-insured mortgage lending by mortgage banking firms. Talman and First Federal, however, contend that they made some loans in these neighborhoods prior to 1975.

From 1975-79, Talman-Home and First Federal increased their loan volume by three times and their dollar volume by almost nine times. Talman-Home's lending volume increased 1.5 times. Talman's dollar volume increased by 27 times, while First Federal's dollar volume increased by three times.

As a result of the activity of Talman and First Federal, and several other lenders, the dual housing finance market is less rigid than it was prior to 1975. However, there remain a number of lending institutions, such as Bell Federal Savings and Loan, Central

National Bank, Harris Bank and LaSalle National Bank, which failed to make more than a pittance of mortgage loans in minority communities from 1975-79. They appear to not have been affected by pressure from consumers and regulators, or the realization by most of the lending industry that single-family lending in minority neighborhoods is safe and sound.

1979-81: High Interest Rates and Adjustable Rate Mortgages: A Unitary Unsatisfactory Market for All

Since 1979, the existence of high interest rates and the emergence of adjustable mortgage instruments have placed most neighborhoods, minority and white, in a unitary system of credit malnutrition, if not starvation in some cases, especially during the last year. Consequently, the traditional concept of the dual housing finance market has not been as relevant in explaining market conditions.

During the last two years, interest rates have ranged between 10 percent and 19 percent. Although this affects all neighborhoods, it most harshly limits credit availability in moderate income communities where residents may qualify for financing at 9 percent, but not at 15 percent. Consequently, these neighborhoods, as well as many middle income neighborhoods, have been forced to resort primarily to cash transactions, contract sales and other "creative financing mechanisms" which were once restricted to minority neighborhoods unable to secure conventional credit regardless of market conditions.

The effect of this credit crunch is the flattening of housing value appreciation and the imposition of limitations on the mobility of neighborhood residents who are unable to sell or purchase new homes.

A second factor greatly affecting inner-city housing markets—and the potential effect is greater than the present—is the virtual elimination of the fixed-rate, long-term mortgage which has been characteristic of the American housing market since the 1930's.

Since 1978, many savings and loan associations, which have done the bulk of mortgage lending historically, have been trapped in a major asset-liability mismatch. This involves a mismatch between a portfolio of aged loans with an average yield of 6-7 percent, and increasing costs of deposits ranging from 9-16 percent on 6 month and 2½ year certificates. With this negative spread, many savings and loan associations have been pushed to the brink of collapse by incurring record quarterly losses for the past five quarters.

In order to cope with this mismatch, the savings and loan associations launched a major lobbying campaign to gain permission to offer adjustable rate mortgage loans. These loans are characterized by interest rates which can be adjusted to reflect the increased cost of money to savings and loan associations. Consequently, the savings and loan will not incur a negative interest spread. Increased costs will be passed onto the borrower on a monthly, quarterly, or every six-month basis, depending on the terms of the loan.

For many moderate income families, this development will limit their access to home ownership through conventional financing. A family which has stable income to afford a fixed rate 29-year mortgage, may not be able to afford the potential level of increase in interest payments which could occur with an adjustable mortgage instrument.

Frank Coleman, Jr., the mortgage loan manager of Illinois Service Federal Savings and Loan Association, recently stated that adjustable mortgage loans would "literally wipe out most blacks. They do not offer blacks the stability we are accustomed to when we buy a home. That is, after all, the largest and most important acquisition in our lives."

Mr. Coleman's concern is underscored by the following example. An adjustable rate mortgage loan made in January, 1978, with an initial interest rate of 9.15 percent and subsequent rate adjustments tied to the 6 month Treasury bill rate would have risen to 17.39 percent by January, 1981. The monthly payment on a \$50,000 mortgage would have increased from \$408 to \$722. This represents a 77 percent payment increase over a three year period in which the average wage for U.S. workers rose only 27 percent.

The Center for Community Change, in a recent assessment of adjustable mortgage instruments, cited the following concerns which could seriously affect many households, especially moderate income minority households:

The prospect of monthly payments increasing at a rate many times faster than the rate of increase in the household's income:

The prospect of the outstanding balance on a mortgage loan increasing faster than the value of the house, thereby eroding the homeowner's equity, and even causing the homeowner to owe more than the house is worth;

The strong danger that the prospect of rapidly increasing monthly payments and/or rapid increases in the loan balance will cause lenders to become much more conserva-

tive and restrictive in their lending criteria, discriminating against borrowers when they do not perceive to be upwardly mobile, and encouraging the resurgence of redlining of older urban neighborhoods which the lender may believe will appreciate less rapidly than average;

The prospect that the use of more restrictive lending criteria will have a sharp discriminatory impact on minorities;

For borrowers in older urban neighborhoods who do get loans, the danger of significantly increased default rates, thus inducing the spread of abandonment;

The prospect of increased incentives to lenders to intensify their lending in gentrifying areas where property appreciation may be rapid, thus fueling displacement of existing residents;

The prospect that persons shopping for a mortgage will be presented with a multitude of complex indexes to determine interest rate adjustments, thereby making comparison shopping extremely difficult;

The prospect of the lender deciding to adjust the interest rate only when the index has gone up, creating a situation where the interest rate on the mortgage can only move up, and never move down;

The prospect of very frequent adjustments in the interest rate and the monthly payment, creating difficulties in family budget planning;

The prospect of inadequate and misleading disclosure materials for adjustable rate mortgages, creating a situation where consumers are unable to make informed decisions;

The threat of the disappearance, or at least the very sharp curtailment of, the availability of fixed rate mortgages for those who need such mortgages.

Recommendations to Alleviate Problems with Access to Affordable Housing Credit

This section begins by analyzing the response of President Reagan's Housing Commission to housing credit affordability and availability problems for minority households. It concludes with a series of recommendations for addressing the dual housing finance market and the problems created by the increasingly exclusive use of adjustable rate mortgages.

The President's Commission on Housing

This Commission was established by an Executive Order of President Reagan. The Commission's mandate is to advise the President and Secretary of HUD on options for the development of a national housing policy and the role and objectives of the federal government concerning the future of housing. The Executive Order directed the Commission to address five issues including "seeking to develop housing and

mortgage finance options which strengthen the ability of the private sector to maximize opportunities for home ownership and provide adequate shelter for all Americans." One would assume that given such a mandate, the Commission would generate recommended strategies to ameliorate housing credit availability and affordability problems experienced by minorities.

The basic theme of the Commission's interim report, which was released October 30, 1981, is that housing problems are largely the result of problems in the overall economy. These are identified as unprecedented inflation, extraordinarily high interest rates, a decline in the rate of economic growth and the low rate of increase in real income. These problems, of course, are allegedly caused by increasing federal deficits and the expansion of the supply of money at a greater rate than basic economic growth would justify. The report emphatically states that these problems will be resolved by President Reagan's economic recovery program of tax and expenditure reductions. The resolution of these problems will consequently improve the "housing situation."

The Commission does acknowledge that there is a role for government in housing. The following seven items constitute the Commission's set of principles for guiding government action:

- 1) Achieve fiscal responsibility and monetary stability in the economy;
- 2) Encourage free and deregulated markets;
- 3) Rely on the private sector;
- 4) Promote an enlightened federalism with minimal government intervention;
- 5) Recognize the continuing role of government to address the housing needs of the poor;
- 6) Direct programs towards people rather than structures; and
- 7) Allow maximum freedom of choice.

The report only lightly addresses the issue of housing market discrimination. The following statement is the major comment on the subject:

Reliance on the private market as the fundamental mechanism for resolving housing problems can be fully effective only in the open, freely functioning market system. Therefore, the government should continue its efforts to eliminate discriminatory practices that create artificial barriers and inhibit freedom of choice in housing.

Nowhere in the report, however, are there specific recommendations for addressing this problem, nor is

there any mention of housing credit discrimination or the dual housing finance market.

After reading the report, one would assume that the only barrier to a free and open housing market is the discriminatory behavior of individual landlords, property owners or realtors. There is a complete failure to acknowledge considerable evidence of historic institutional discrimination which limits housing choices. Strategies designed to address institutional discrimination such as the Community Reinvestment Act and the Federal Home Loan Bank Board's non-discrimination regulations are completely ignored. It is assumed that all decisions made by capital and credit providers are solely based on irrefutable economic criteria gleaned from market data.

The only anti-discrimination strategy alluded to is "a local support component" for open housing and the enforcement of anti-discrimination statutes, including current federal fair housing laws. There is no acknowledgment of the need for a federal role in fighting housing discrimination.

The negative impact of high interest rates on the housing market during the last two years is acknowledged. According to the Commission, high interest rates are a necessary tool to reduce inflation which will in turn benefit the housing market. There is a failure to acknowledge how low and moderate income people, and especially minorities, are bearing a disproportionate share of the burden caused by this approach. There is, however, an implicit assumption that minority families will share in the "filtering down" of benefits once the economy recovers. Many have recently read Mr. Stockman's sarcastic comments on this process in *Atlantic Monthly*.

The adjustable rate mortgage is treated in one paragraph, despite the fact that its evolution is one of the major forces affecting future homeownership in America, especially for moderate and middle income families.

After describing the rationale for adjustable rate mortgages from the perspective of financial institutions, the Commission concludes its treatment of this subject in a cavalier fashion with the following statement about the impact of ARM's on consumers.

Adjustable rate mortgages do not directly help the household's cash flow problem. However, there is no reason why the concept of adjustable rates and graduated payments cannot be combined with a single mortgage to meet—at least in part—the needs of both borrowers and lenders.

Dual Housing Finance Market—Policy Recommendations

The following three policy recommendations have been developed by Woodstock Institute to help maintain—or perhaps recreate—a flow of affordable conventional credit for single-family housing in minority communities. In all cases, these recommendations can be implemented under existing regulatory agency authority without additional legislation or appropriation of public funds. The recommendations are suggested to the Illinois Advisory Committee to the U.S. Commission on Civil Rights in anticipation that it will in turn, advocate these policies with the Reagan Administration.

I. Encourage the Reagan Administration to acknowledge that housing discrimination and equal access to affordable credit continue to be major problems in America due not only to isolated, individual acts of discrimination, but more significantly due to institutional forces throughout the real estate industry which, in effect, limit the access for minority households to adequate housing and jobs. The literature and reams of data confirming the existence of this major problem are very convincing.

II. Advocate full enforcement of the Community Reinvestment Act of 1977 which requires federal financial institutions regulatory agencies to encourage their regulatees to attempt to meet community credit needs, especially the needs of low and moderate income families, within sound business practices. The regulatory agencies are required to assess the lending performance of banks and savings and loan associations through regular examinations and whenever lenders submit an application for permission to establish a branch, form a holding company or engage in other structural changes. If an institution is failing to attempt to meet credit needs, then the regulatory agency may issue a cease and desist order and demand corrective action, or it can refuse to grant permission for the establishment of a new branch or other structural change desired by the offending financial institution.

Since 1977, CRA has been a significant force which has encouraged or pressured some lenders to be more responsive to their communities, especially minority communities. Since 1980, however, many financial institutions have perceived that the Reagan Administration is not interested in enforcing CRA. Consequently, those lenders who require federal pressure and potential disincentives to stimulate them to meet

the requirements of their charters and CRA have not been taking initiatives in inner-city communities.

III. Encourage the Federal Home Loan Bank Board (FHLBB) to enforce its non-discrimination regulations which are the most explicit and thorough anti-discrimination regulations at the Federal level. These regulations were promulgated by the FHLBB in 1978. They contain six major elements which:

- 1) Prohibit member institutions from automatically refusing to lend because of the age or location of the dwelling;
- 2) Prohibit loan decisions based on discriminatory appraisals;
- 3) Emphasize that there is a right to file a written loan application;
- 4) Require member institutions to have written loan underwriting standards which are not discriminatory in effect and which are made available to the public upon request;
- 5) Revise Equal Housing Lending Poster to include prohibition against discouraging loan applications; and
- 6) Establish a new monitoring system for fair lending enforcement and analysis.

In addition, the FHLBB regulations provide guidelines in the following areas in order to eliminate practices which may discriminate, in effect, against minorities.

1) *Applicant's Prior Credit History* Loan decisions should be based upon a realistic evaluation of all pertinent factors respecting an individual's creditworthiness, without giving undue weight to any one factor. The member institution should, among other things, take into consideration that: (a) in some instances, past credit difficulties may have resulted from discriminatory practices; (b) a policy favoring applicants who previously owned homes may perpetuate prior discrimination; (c) a current, stable earnings record may be the most reliable indicator of creditworthiness, and entitled to more weight than factors such as educational level attained; (d) job or residential changes may indicate upward mobility; and (e) preferring applicants who have done business with the lender can perpetuate previous discriminatory policies.

2) *Income Level or Racial Composition of Area* Refusing to lend or lending on less favorable terms in particular areas because of their racial composition is unlawful. Refusing to lend, or offering less favorable terms (such as interest rate, downpayment, or maturity) to applicants because of the income level in an area can discriminate against minority group persons.

3) *Marketing Practices* Member institutions should review their advertising and marketing practices to ensure that their services are available without discrimination to the commu-

nity they serve. Discrimination in lending is not limited to loan decisions and underwriting standards; an institution does not meet its obligations to the community or implement its equal lending responsibility if its marketing practices and business relationships with developers and real estate brokers improperly restrict its clientele to segments of the community.

A review of marketing practices could begin with an examination of an institution's loan portfolio and applications to ascertain whether, in view of demographic characteristics and credit demands of the community in which the institution is located, it is adequately serving the community on a non-discriminatory basis. The Board will systematically review marketing practices where evidence of discrimination in lending is discovered.

Although these regulations were actively enforced by the Bank Board during the tenure of Chairman Robert McKinney and Chairman Jay Janus, there is no evidence to indicate that the current administration, including Bank Board Chairman Richard Pratt, view the enforcement of these regulations as a serious priority.

IV. Carefully assess the impact of monetary policy on inner-city housing credit markets and take steps to insure that these critical markets, which are most immediately and drastically affected by high interest rates, are able to be sustained. One possible strategy would be the creation of a two-tiered rate for Federal Reserve's discount window. Banks which have been serving inner-city markets responsibly would be permitted to borrow funds at a lower rate.

Adjustable Rate Mortgages—Policy Recommendations

Adjustable rate mortgages appear to be an economic necessity for savings and loan associations due to de-regulation. Given the fact that de-regulation has increased the cost of deposits to financial institutions, they must be matched on the asset side of the balance sheet. Otherwise, financial decline and collapse are likely.

An evaluation of the impact of de-regulation on the lending industry, housing industry and most importantly, the American public, must be undertaken. Although the treatment of this subject is beyond the scope of this paper, it is apparent that major errors have been made in the timing and substance of numerous de-regulation measures. Serious consideration must be given to correcting these errors and not repeating them in the future. In many ways, the Banking and Monetary Control Act of 1980, which has been a primary vehicle for de-regulation, may be

one of the most important laws during the past decade affecting the ability of moderate income families to secure home ownership through the conventional market.

In 1981, the Center for Community Change recommended that the federal financial institutions regulatory agencies institute borrower protections for adjustable rate mortgages and take steps to assure the continued availability of fixed rate mortgages. The Commission on Civil Rights should advocate the adoption of the Center's recommendations.

These are as follows:

Borrower Protections for Adjustable Rate Mortgages

- 1) Monthly payments should not increase in any year at a rate greater than 2/3 of the rate of increase in the average U.S. workers' wage for the immediately preceding 12 months.
- 2) Negative amortization should be prohibited or strictly limited.
- 3) All adjustable rate mortgages should use the same index for rate adjustments.
- 4) Any rate adjustments shall only be made at regular intervals which shall be no more frequently than once a year.
- 5) Disclosure statements should follow a standardized format and provide (according to several

economic scenarios prescribed by the regulators) several examples showing interest rate, monthly payment, and loan balance schedules for the full mortgage term.

Assuring Continued Availability of Fixed Rate Mortgages

- 1) The basic FHA mortgage loan insurance and VA mortgage loan guarantee programs should remain on a fixed rate basis; they should be exempt from any Federal credit budget ceilings and thus be allowed to expand according to market demand.
- 2) At least 50% of the conventional mortgages purchased by FNMA and the FHLMC should be fixed rate mortgages.
- 3) Financial institutions should offer all qualified mortgage applicants of modest means and limited upward mobility the option of a fixed rate mortgage.
- 4) The federal regulatory agencies should monitor the availability of fixed rate mortgages to persons of modest means and limited upward mobility. If necessary to assure this availability, they should establish a requirement that a certain percentage of the mortgage loans made by each financial institution in any year shall be fixed rate mortgages.

Federal Housing Programs and the Pursuit of Equal Opportunity: The Role of the Courts

by Leonard S. Rubinowitz, Professor of Law and Urban Affairs, Northwestern University

Introduction

Low and moderate-income minority families face perhaps the most difficult problems of any group in our society in securing adequate and affordable housing in locations of their choosing. Federal subsidy programs are an important source of housing opportunities for this group of people; but these programs have often failed to contribute to achieving the objective of equal housing opportunity. Litigation represents one strategy for using these programs to advance the goal of equal opportunity in housing. This discussion examines the courts as a vehicle for achieving civil rights objectives through federal housing programs. This paper does not assume that litigation is the only available strategy for facilitating housing choice through these programs. Nor does it suggest that resort to the courts is necessarily the most effective means to achieve these ends. The judicial forum has significant limitations. Lawsuits are lengthy and expensive and they may result in an adverse outcome. Even if they are successful in court, there may still be an extended and difficult challenge in implementing the decree and providing additional housing opportunities.

Civil rights groups have emphasized two kinds of cases in this area, one challenging discriminatory administration of subsidized housing programs by public agencies and the other seeking to remove local zoning obstacles to the construction of low and moderate-income housing, the so-called exclusionary zoning lawsuits. Public housing desegregation cases may attempt to bring about construction of housing on an equal opportunity basis. They may also seek to secure broader access to the existing housing stock in the area. Exclusionary zoning litigation, on the other hand, has the sole purpose of facilitating construction of housing for people that could not otherwise afford to live in the jurisdiction involved.

In the Chicago metropolitan area, the *Gautreaux* case is the major legal initiative designed to require public agencies to administer housing programs consistently with civil rights obligations. During the past decade, the courts have also decided two major Chicago-area exclusionary zoning cases, *Metropolitan Housing Development Corporation v. Village of Arlington*

Heights and *H.O.P.E., Inc. v. County of DuPage*. This trio of lawsuits provides the focus of this discussion of the potential for litigation to expand housing choices for low and moderate-income minority households. This paper also refers briefly to other court decisions that are relevant to an assessment of the effectiveness of the judicial strategy.

The paper examines the purposes and history of these two kinds of litigation. It also discusses the current status of the Chicago-area cases and their prospects for the future. Finally, the paper makes recommendations for additional usage of the courts to expand housing opportunities for low and moderate-income minority households.

Gautreaux: The CHA Case

In 1966, a suit on behalf of the tenants of, and applicants for, public housing in Chicago alleged that the Chicago Housing Authority (CHA) had discriminated in selecting sites for public housing and assigning tenants to these projects. The plaintiffs claimed that CHA had built almost all of the public housing for families in predominantly black neighborhoods of the city. Moreover, according to the plaintiffs, CHA had employed quotas to keep most blacks out of the few projects in predominantly white areas. In 1969, the Federal district court found that CHA had violated the constitutional rights of the plaintiffs—the equal protection clause of the fourteenth amendment—and the Federal civil rights act prohibiting racial discrimination in programs receiving Federal assistance. The court ordered CHA to build its next 700 apartments in predominantly white areas and three-fourths of the dwelling units after that point in white areas to provide a remedy for the previous practices. Although the judge indicated that a portion of this remedial housing could be built in suburban Cook County, with the agreement of local officials, the thrust of the initial order was the construction of new public housing primarily in white neighborhoods of Chicago. The court also ordered CHA to adopt and implement a non-discriminatory tenant assignment plan. Finally, the Federal judge told the agency to increase the supply of public housing as rapidly as possible.

Progress in implementing the 1969 order was painfully slow, however. A decade after the court ordered the CHA to expand the supply of public housing as rapidly as possible, there was little to show for these efforts. CHA built about 115 apartments for families during that period. The litany of causes for

the slow pace of public housing construction illustrates the difficulty involved in converting the promises of housing opportunity embodied in a court order into the reality of additional places for low-income minorities to live. Political, bureaucratic and financial obstacles abound. In this case, the delays began when CHA decided not to submit proposed public housing sites in white areas to the city council for its approval until after the mayoral election of 1971. CHA informed the judge that it would not risk the political reaction to such an announcement. The judge responded that concerns about political reactions did not justify delays in providing a remedy for the constitutional violations in the case. He established a timetable for submission of the proposed sites for the city council review required by state law. Judicial appeals pushed back the timetable, resulting in the publication of the proposed sites shortly before the mayoral election. Mayor Daley expressed his opposition to the courts telling local officials where to locate public housing, thus intensifying community antagonism to the proposed housing. As a result, the city council acted on only a few proposed sites and the program was again stalemated. The district judge then set aside the operation of the state statute that gave the city council the power to review proposed sites and ordered CHA to develop the projects without city council approval. This was an unusual step for a district court to take—to set aside the operation of an otherwise valid state law because it impeded the efforts to provide relief for a constitutional violation. Indeed, under the current state of the law, a district court may not have the power to take such a step. Nevertheless, the order indicates the lengths to which it was necessary to go to expand housing opportunities throughout the city.

With the lifting of the obligation to secure city council approval of proposed projects, CHA was theoretically able to construct the court ordered public housing. However, bureaucratic processes within CHA and the U.S. Department of Urban Development (HUD, the Federal agency that subsidizes the construction of public housing) produced additional delays. These delays led to the attrition of some sites—with alternative developments proceeding before CHA could acquire the land.

Moreover, costs of public housing had climbed to the point that HUD disapproved some of CHA's proposals. The small scattered-site accommodations envisioned in the court order were more expensive on a per-unit basis than the traditional large-scale Robert

Taylor Homes and Cabrini-Green style projects. As a result, HUD rejected some of the projects for financial reasons.

Thus, construction of housing for the plaintiffs limped along for a decade, producing only a few scattered site developments, mostly on the city's north side. Then in 1979, there appeared to be something of a breakthrough in the form of a modification of the original order. CHA proposed a package of new construction and subsidization of existing housing in both black and white areas of the city. Mayor Byrne, CHA officials and lawyers for the plaintiffs endorsed this approach, which the court accepted. The plan recognized the need for additional public housing in black neighborhoods as well as the need to increase access to the existing housing stock in addition to the construction of public housing. CHA hired staff for these activities and the pace of progress began to pick up, although political, financial and bureaucratic problems continued to impede the implementation process. At last CHA seemed to be making efforts to comply with the spirit of the 1969 order.

Some have suggested that the district court should have telescoped these orders, that is should have anticipated the kinds of obstacles that would arise and included preventative provisions in the original court order. Perhaps some such steps could have been taken. On the other hand, even the court's initial order in 1969 went well beyond what any court had done previously to remedy discriminatory practices in the public housing program. It constituted a very significant intervention in the program and the activities of the local and Federal agencies involved. The order aroused hostile reactions for its intrusiveness as well as because of the controversial nature of the substantive issue of equal opportunity in housing. In the housing area, as in the school desegregation area, there is many a slip between the cup and the lip. There is a great gap between establishing a legal principle and applying the principle to change institutional practices. This is particularly evident where the development process is a complex one, involving local and Federal approvals and actions by property owners, contractors and other actors whose cooperation is needed to facilitate the construction of public housing.

Gautreaux: The HUD Case

When the *Gautreaux* litigation began in 1966, there were actually two cases, one against CHA (discussed above) and the other against HUD. While the court considered the CHA case, it held the HUD case in

abeyance. In 1971, the plaintiffs revitalized the HUD portion of the case. The Federal court of appeals then found that HUD had also violated the rights of the plaintiffs, by approving and funding the discriminatory public housing program in the city. In 1976, the U.S. Supreme Court decided that it would be permissible for the district court to require HUD to take remedial initiatives throughout the metropolitan area and left it to the lower court to determine whether relief beyond the city limits was appropriate and necessary in this case. The Supreme Court's decision set the stage for the plaintiffs and HUD to enter into a series of voluntary agreements on remedial initiatives in the Chicago suburbs, culminating in 1981 in a "consent decree" that was accepted by the Federal district court. The centerpiece of these agreements has been a HUD-funded initiative to assist low-income minority families to move into existing private rental housing, particularly in the predominantly white middle-income suburbs. Thus, the portion of the *Gautreaux* case implicating HUD has added a focus both on the suburbs and on the use of the existing private housing market to expand the opportunities of families in the plaintiff class. Implementation of these new initiatives was to depend on the section 8 subsidized housing program, a Congressional creation of the Housing and Community Development Act of 1974. Although the case began with a challenge to the administration of the traditional public housing program, the court incorporated the new subsidy program into the remedial scheme with a metropolitan-wide thrust.

The Leadership Council has administered the "Gautreaux Program" since its inception in 1976. The program has assisted over a thousand low-income minority families to move into private rental housing throughout the Chicago metropolitan area with Federal rent subsidies paying a portion of their rent. The program has relied heavily on the "existing housing" component of the section 8 program. Leadership Council staff has solicited the participation of private landlords and management firms in the program. As a result, low-income families have moved into middle-income developments without controversy or visibility, for the most part. Because of this "invisibility" feature and the lack of delays inherent in new construction, the Leadership Council's program has assisted far more families in the five years of its operation than CHA has through new construction in the twelve years since the court ordered it to increase the supply of public housing as rapidly as possible.

A decade and a half after the initiation of the *Gautreaux* litigation, controversy continues to swirl around the case. The legal principle at stake was a clear one. The case carried over the principle established in *Brown v. Board of Education* into the public housing arena. And the court found a clearcut case of intentional discrimination. Having done so, however, the court found that its efforts to vindicate the constitutional rights of the plaintiffs met obstacles at every turn in the road. The process of converting the legal principle into housing realities has been slow and painstaking, and it is far from over. The consent decree adopted in 1981 contemplates that it will take another decade or more to provide full relief in the case.

Exclusionary Zoning Litigation

Litigation in the area of exclusionary zoning seeks to remove local land use barriers to the construction of housing for low and moderate-income people. In the Chicago area, cases in Arlington Heights and DuPage County have demonstrated the strengths as well as the limitations of this use of the courts. As in the *Gautreaux*-type case challenging discriminatory administration of subsidy programs by public agencies, the exclusionary zoning cases face obstacles both in achieving the judicial victory and then in converting that victory into concrete advances in housing. In these zoning cases, establishing that the plaintiffs' legal rights have been violated may be very difficult. Securing relief in victorious cases may be feasible if the purpose of the case is to remove the obstacle to building a particular proposed housing project. But if the purpose of the case is broader—to change the land use system to reduce development costs and facilitate building of subsidized housing generally in the jurisdiction, the remedial problems take on a complexity akin to that in the *Gautreaux* case.

The Arlington Heights Case

Arlington Heights is a predominantly white middle-income suburb about 25 miles northwest of Chicago's loop. A decade ago, the Metropolitan Housing Development Corporation (MHDC), a non-profit builder of racially mixed subsidized housing, decided to build a subsidized development in Arlington Heights. The opportunity arose because the Clerics of St. Viator owned an 80-acre parcel of land in the village. A high school and the novitiate occupied a portion of the site. The clerics decided that subsidized housing would be an appropriate use of another part of the site. They agreed to make the site available for a below-market

price to MHDC for construction of Federally assisted multi-family housing. However, the village had zoned the area for single-family housing. MHDC requested that the village rezone the site to permit two-story multi-family buildings, but the village denied the request. MHDC then sued the village, claiming that the failure to change the zoning constituted a violation of the equal protection clause of the Constitution and Title VIII of the Civil Rights Act of 1968—the Federal fair housing act. In 1977, the case reached the U.S. Supreme Court, which ruled only on the constitutional claim. The Court found that MHDC had not demonstrated that the village had a racially discriminatory purpose in denying the rezoning and that such a showing was necessary to establish a constitutional violation. In so holding, the Court reiterated a position it had taken shortly before the Arlington Heights case, in a police discrimination case from Washington, D.C. In that case, the Court said that a constitutional violation must be based on a racially discriminatory purpose by a governmental body; it is not enough that the actions burden racial minorities more heavily than whites. Thus, *Village of Arlington Heights v. MHDC* applied the general requirement of proof of discriminatory purpose to the zoning situation. Arlington Heights appeared to be carrying out its traditional land use control prerogatives in this case, following a community plan of separating single-family homes from apartment developments. Without proof that it was doing so in order to exclude racial minorities from the town, the Court concluded that there was no constitutional violation.

However, the Court recognized that a different standard of proof might be warranted under Title VIII—that Congress might have intended the fair housing act to apply to some situations where actions were not racially motivated but had a discriminatory effect. Since the court of appeals had not addressed the question of how Title VIII applied to Arlington Heights's actions, the Supreme Court sent the case back to the court of appeals in Chicago to do so. The court of appeals concluded that a showing of the discriminatory effect of the village's actions could be sufficient to establish a violation of the fair housing act. It then sent the case back to the trial court to determine whether there was such a violation in this case. At that point, MHDC and Arlington Heights decided to settle the case rather than continue to engage in what had become an extended lawsuit. They found an alternative site on which the development could proceed, a decade after the first efforts by

MHDC to secure the approval of village officials for the project.

The Arlington Heights case demonstrated that it may require an egregious situation to demonstrate that exclusionary zoning practices are racially motivated and thus constitute a violation of the Constitution. On the other hand, the trial court still has a great deal of discretion to sift through the facts of these cases and make a determination about the existence of discriminatory motivation. Beyond that, the Arlington Heights case indicates (along with other Federal cases), that the federal fair housing act may prohibit land use control decisions that have a racially discriminatory effect even if that is not their purpose. The U.S. Supreme Court has not ruled on this question yet, so the ultimate utility of Title VIII in exclusionary zoning cases remains an open question. Finally, the Arlington Heights case demonstrates that even a lawsuit focused on the decision of a single municipality with respect to one proposed development may take many years to resolve. This decision was a decade in the making. The provision of housing at the end of the litigation depended on great persistence on the part of MHDC, financial resources to support the effort and the fortuity of the continued availability of necessary federal subsidy funds.

H.O.P.E., Inc. v. County of DuPage

In a suit filed around the same time as the Arlington Heights case, fair housing groups in west suburban DuPage County claimed that the county and housing developers operating there had worked together to keep low and moderate-income people and racial minorities out of this predominantly white, relatively affluent area. Rather than focusing on a particular instance of the administration of the zoning ordinance, as in Arlington Heights, these groups suggested that the overall zoning policies and practices deterred developers of subsidized housing from even trying to build these kinds of projects in the unincorporated areas of the county, where the county zoning officials had jurisdiction. The county imposed requirements that made it difficult to secure approval for multi-family developments. The organizations bringing the case argued that these requirements, coupled with the county's repeated statements of its opposition to subsidized housing, resulted in an absence of proposals for subsidized housing.

The plaintiffs in this case had an obstacle to overcome in just getting the judge to hear the case. Unlike the Arlington Heights case, there was no specific proposal that the parties were contesting. In

Warth v. Seldin, the U.S. Supreme Court had decided that individuals and organizations that objected to the zoning policies and practices of a Rochester, New York, suburb could not challenge those practices because there was no proposed project at issue. The Court said that the case was too speculative because there might not be any proposed developments even if the Court took the case and found that these practices violated the law. And the absence of such proposals might simply be a function of the high cost of land in the town rather than any zoning barriers that the officials erected.

The Supreme Court decided the *Warth* case in 1975, while the DuPage County case was before the federal court in Chicago. It cast a pall over efforts to use the federal courts to challenge suburban exclusionary practices. Some suggested that the case meant that the more exclusionary a community was, the less chance there was of challenging those practices in court. The Arlington Heights case provided a glimmer of hope, however, since it came after *Warth* and the Supreme Court concluded that MHDC did have "standing" to bring its case because there was a specific project and a specific zoning decision. The Court found that if that local decision was invalidated, there was a substantial probability that the project would actually be built and that low-income minority plaintiffs would move into it. But the DuPage County case faced a much stiffer hurdle in overcoming the limitations imposed by the Supreme Court in the *Warth* case. There was no specific proposed project in controversy. There was no one specific zoning decision at issue. Instead there was a pattern of land use policies and practices that the plaintiffs argued had the purpose and effect of excluding low and moderate-income people and racial minorities. Nevertheless, the trial judge found that the plaintiffs had a right to bring the case because of their argument that the county and the developers had worked together to carry out these exclusionary practices. That is, the developers that might have made the specific proposals and might have been resisted by the county were instead conspiring with the county, according to the fair housing groups, to keep out subsidized developments. In that situation, the court found that it would not be reasonable to require that there be a specific development to make the case concrete when the developers were allegedly working actively to exclude such developments.

Having concluded that the fair housing group had a right to be in court—that it had "standing" to bring the case—the trial court considered whether the

county's practices violated the constitutional rights of the plaintiffs. The judge began by reiterating the principle articulated by the Supreme Court in the Arlington Heights case that it would not be sufficient to show that the county discriminated on economic grounds or that the county's actions had a racially discriminatory effect. Since this was a constitutional case (the events had taken place before the federal fair housing act went into effect), H.O.P.E. had to show that the county's actions were racially motivated. Discrimination did not have to be the sole purpose for the actions, as long as it was part of what led the county to carry out its zoning policies in a way that excluded minorities. In an October 1981 decision, the district judge concluded that racial discrimination was at work in these decision-making processes. No direct and clear evidence of racial motives was in the record; but when the Supreme Court said in the Arlington Heights case that proof of discriminatory purpose was necessary, the Court recognized that direct, blatant proof would not usually be available and that circumstantial evidence would suffice. The trial court in the DuPage County case picked up on that theme and found that various bits of circumstantial evidence added up to a conclusion that discriminatory purposes were involved in the county's zoning policies and practices. The opposition to subsidized housing, the presence of minorities working in the county but the virtual absence of minorities living in the county, the opposition of county residents to minorities moving in and other pieces of circumstantial evidence led the judge to conclude that the county's motivations included a desire to exclude minorities. The county has denied throughout the lawsuit that its actions involved racial bias and it has decided to appeal this decision. The Court of Appeals is likely to give deference to the trial court's findings on the facts, but it may still scrutinize those findings to determine whether they support the conclusion that the county had a racial purpose and to determine whether the lower court used the correct legal test.

Meanwhile, the district court requested suggestions as to the appropriate remedies for the constitutional violations which it found. Thus began the process of converting the legal victory into increased housing opportunities (assuming the court's decision on the violation is upheld on appeal). Plaintiffs are asking the court to impose "inclusionary" requirements on the county, to remedy the exclusionary practices of the past. Such requirements not only call for a change in the zoning provisions that deterred subsidized devel-

opment, but mandate affirmative action to see to it that private developments include a component for low and moderate-income people and that the county provide incentives to encourage developers to move in this direction. Even if the DuPage County decision is affirmed on appeal, however, and even if the judge adopts the "inclusionary" orders that H.O.P.E. is seeking, the implementation problems illustrated by the *Gautreaux* case are likely to crop up.

Thus, exclusionary zoning cases encounter a series of obstacles on the road to expanding housing opportunities for the poor and minorities. In the federal courts, at least, it will be difficult to persuade a court that the plaintiffs are entitled to bring the case unless there is a specific proposed project for a specific parcel of land that will probably be built and occupied by minorities if the zoning change that is sought is granted. If those plaintiffs gain "standing," they must then show that the local zoning officials have intentionally excluded racial minorities in order to show that there has been a violation of their constitutional rights. In the alternative, they may be able to show that their rights have been violated under the Federal fair housing act if the zoning practices have had a discriminatory effect and local officials do not have an adequate justification for their actions. Although the Court of Appeals in Chicago and in some other parts of the country have adopted this view of the Federal statute, others have said that intentional discrimination is necessary under the fair housing act as under the Constitutional challenge. The U.S. Supreme Court has not ruled on this issue, so it remains an open question. In the Arlington Heights, single-site type case, persuading the court that the local officials have violated the rights of the developer or minority potential residents may pave the way to a relatively straightforward remedy—changing the zoning to remove that obstacle to construction. In the broader case that seeks to overturn exclusionary practices throughout a jurisdiction, developing an effective remedy and implementing it constitute difficult and time consuming challenges for civil rights groups and the courts alike.

Although the discussion so far has focused on the federal courts, where the Chicago-area housing litigation has taken place, some of the most advanced exclusionary zoning cases have been decided by state courts. The New Jersey Supreme Court has delved more deeply into these matters than any other state supreme court. It has permitted poor and minority non-residents to sue a municipality because of its exclusionary practices even when there is no proposed

subsidized development. It has decided that economic discrimination—exclusion of low and moderate-income housing—violates the New Jersey state constitution unless there is a very strong justification for the actions that have this intent or effect. Moreover, the New Jersey supreme court has indicated that a remedy for invalid zoning practices may include affirmative steps to make it feasible, from a land use standpoint, to provide housing for those that could not afford to live in the municipality. That state court has not yet clarified the extent to which municipalities must go to expand opportunities once a court has found that they have been unjustifiably exclusionary; but the New Jersey court has clearly been more expansive in its vision of local municipalities' obligations to lower-income and minority non-residents than the Federal courts.

Other state courts, however, have been less sympathetic to the claims of excluded racial and economic minorities. In deciding matters of state law, state courts have a great deal of autonomy. The U.S. Supreme Court is very reluctant to review decisions of state courts that interpret state constitutional provisions. The result is a patchwork quilt of state court decisions relating to exclusionary zoning, all of which may be the final word on the matter in their respective states. In short, the question of the potential for litigation to challenge exclusionary practices depends on the availability of both the Federal and state courts and the prospects and problems in each of those arenas. The Illinois courts have generally had a rather narrow view of who is entitled to challenge the impact of a zoning action. They have usually required that a person own property in the municipality in order to be able to attack the local officials' actions. There have been some exceptions, however, and the Chicago Lawyers' Committee for Civil Rights under Law is engaged in research on this and other matters related to the potential for exclusionary zoning litigation in the Chicago area. The Illinois state courts have not had much experience with these questions compared to the courts of New Jersey, New York and Pennsylvania, so it is not certain what the Illinois courts' response would be, on questions of "standing," standards of proof, legal theories or remedies in the event that the local actions were found to be in violation of the law.

Prospects for the Future

The discussion to this point has emphasized the experience in litigating in pursuit of equal opportunity

for lower-income minorities in the Chicago metropolitan area. That history suggests some courses of action that hold potential for future advances toward this critical objective. The following is a listing of matters that warrant attention as part of this continuing quest.

1. *Future Funding of Federal Housing Programs:* In order to pursue equal housing opportunity through subsidized housing programs, the federal programs must continue to exist and to receive funding from Congress at significant levels. With the cutbacks in federal programs, the housing programs are particularly vulnerable to emasculation if not outright extinction. They are relatively expensive programs that benefit those with limited political influence. And they have built-in problems of equity since they provide substantial subsidies to some of those who are eligible and no aid to many others that are equally in need. Nevertheless, these programs have provided important benefits to the poor and minorities, those that are most likely to be ill-housed. The prospects for the pursuit of equal opportunity goals for low and moderate-income people are heavily dependent on the continuation of some form of federal housing assistance, supplemented by state and local efforts.

2. *Implementation of CHA's Scattered Site Program:* The federal government has made funds available for the program of scattered site construction and acquisition of housing in Chicago proposed by CHA and adopted by the federal court in 1979. This program has begun to make progress, through the efforts of CHA staff hired for this purpose. At the same time, city officials have shown ambivalence towards the program that could impede its progress. Although Mayor Byrne announced her public support for the program in 1979, she recommended in the fall of 1981 that the funds targeted for it be reallocated to the maintenance of existing public housing projects. CHA is operating at a very substantial deficit, but the agency is attempting to develop a financial plan to deal with that problem. It must do so without jeopardizing ongoing efforts to provide long-overdue relief for the victims of unconstitutional racial discrimination. Moreover, the scattered site program receives from a different Congressional appropriation than the one involved in financing the maintenance of existing housing projects. It may be that in suggesting reallocations of funds local officials are reacting in part to continuing opposition in predominantly white neighborhoods even to the small scattered site developments proposed for their areas. This opposition persists in spite of the small size of the proposed

developments and the priority for occupancy of a portion of the units to neighborhood residents. That opposition may not provide the basis for delaying the vindication of constitutional rights.

3. *Implementation of the Leadership Council's Gautreaux Program:* The Leadership Council for Metropolitan Open Communities has carried out its program of placing "Gautreaux class" families in private housing throughout the metropolitan area for more than five years. HUD has committed itself to continued funding of this and other programs until complete relief has been provided in case, as defined by the parties and the court in the 1981 consent decree. This program is therefore central to the remedy in the case and the point above about the need for future funding is particularly relevant to this activity. Even if there are cutbacks in Section 8 subsidy funds nationally, HUD must ensure that this program continues to operate at the agreed upon level. And the follow-up services that the Leadership Council provides to families as they make the difficult adjustment to a new and very different environment must continue to be supported.

Northwestern University's Center for Urban Affairs and Policy Research is currently undertaking a study of families moving to the suburbs through this program. The study is examining the educational and social effects of this move on the families, particularly the children that move from inner city schools to predominantly white, middle-income schools in suburbia. This two and one-half year study should provide a greater understanding of the nature of this transition for the families involved and should be helpful in the future administration of this and other similar programs that might be established throughout the country.

4. *Monitoring of the Gautreaux Consent Decree:* Although the Leadership Council's program is central to the *Gautreaux* consent decree, the decree contains other important initiatives as well. The most significant of these attempt to deal with perhaps the most intractable problem in this area—the provision of adequate, affordable housing for large low-income families. The Leadership Council's program has assisted relatively small families for the most part, because of the scarcity of large apartments within the program's rent ceilings that landlords are willing to make available for this purpose. Thus, the consent decree tries to increase the supply of housing for large families through construction and acquisition incentives. Implementation will be difficult and will require

careful monitoring as well as modification of these initiatives as problems arise in carrying them out. Lawyers for the plaintiffs have taken on that task, but other civil rights agencies could serve a useful purpose in monitoring the implementation process and making recommendations for adjustments to the undertakings specified in the consent decree.

5. *Exclusionary Zoning Litigation in the State Courts:* Because of the advances made in the state courts such as New Jersey, it is worthwhile to explore very carefully the potential for state court suits in Illinois, in light of the legal precedents and the land use policies and practices of Chicago area suburbs. The Lawyers' Committee for Civil Rights under Law and the Center for Urban Affairs and Policy Research of Northwestern University have been engaged in legal and empirical research, respectively, in this area. That work may provide the basis for exploring litigation possibilities in the state courts.

6. *Exclusionary Zoning Litigation in the Federal Courts:* The Arlington Heights and DuPage County cases, as well as federal cases from other parts of the country, provide the basis for additional federal court cases in the Chicago area. Arlington Heights-type cases are necessary only when a proposed housing project may not proceed because of local zoning constraints. The broader cases represented by the DuPage County lawsuit do not depend on such an incident. They have the advantage of striking at a whole pattern or practice of exclusion; but they have the corresponding disadvantages of an uphill battle in court and at the remedial state in the event the court finds a violation of law. Great care should be exercised in developing a strategy for such cases, including careful factual research, identification of appropriate plaintiffs, legal theories and proof and the examination of potential "inclusionary" remedies that will produce real housing opportunities rather than phyrrie victories.

The Dual Housing Market in the Chicago Metropolitan Area

by Kale Williams, Leadership Council for Metropolitan Open Communities

Origins Of The Dual Housing Market

The Kerner Commission stated clearly the choices before us. "This is our basic conclusion: our Nation is moving toward two societies, one black, one white. . . . To pursue our present course will involve the continuing polarization of the American community and, ultimately, the destruction of basic democratic values."¹ The Kerner Commission recognized that racial segregation in housing was the major factor in present day polarization, and recommended, "We believe that the only possible choice for America is. . . a policy which combines ghetto enrichment with programs designed to encourage integration of substantial numbers of Negroes into the society outside the ghetto."²

The policy of ghettoization, the creation of racially distinct neighborhoods, was consciously adopted at a particular time, was implemented and reinforced by a variety of private and governmental actions, and has resulted in an on-going, pervasive, institutional system which is described as a dual housing market, one for blacks and other minorities, one for whites. This policy is in a direct line of descent from slavery. "Just as the Black Codes, enacted after the Civil War to restrict the free exercise of those rights were substitutes for the slave system, so the exclusion of Negroes from white communities became a substitute for the Black Codes. And when racial discrimination herds men into ghettos and makes their ability to buy property turn on the color of their skin, then it too is a relic of slavery."³

In 1917, when blacks were moving in large numbers to Chicago, the Chicago Real Estate Board appointed a committee to make recommendations on how to deal with the "Negro problem." That committee reported, "The Committee appointed. . . to take immediate action and expedite plans to notify and assist owners of property coveted and demanded by the negro race for negro occupation begs to report as follows: . . . Inasmuch as more territory must be provided, it is

desired in the interest of all, that each block shall be filled solidly and that further expansion shall be confined to contiguous blocks and that the present method of obtaining a single building in scattered blocks, be discontinued."⁴

The report was adopted, and implementing measures begun, the first proposal of a municipal ordinance to restrict residence of blacks to certain areas. When that approach was struck down by the U.S. Supreme Court,⁵ the real estate profession implemented the same policy by incorporating this restriction in its code of ethics, by the organization of home-owner's associations in white areas, and by adding restrictive covenants to property deeds.

These efforts were markedly effective, creating a black ghetto on Chicago's south side, and limiting growth of the black community to expansion at the edges of that ghetto. As a result Chicago became, and continues to be, one of the most racially segregated areas in the country, and the patterns adopted here have been copied in almost every major metropolitan area.

The patterns were adopted, too, by the federal and state governments as they began in the 1930s to intervene directly in the housing market through funding public housing and insuring home-owners' mortgages. Those programs operated within the dual housing market, separating people by race, and discriminating against blacks in access to housing and related insurance programs.

While the dual housing market was being formed and solidified, opposition to it was growing, too, mainly through Constitutional challenges to housing discrimination. The decision of the U.S. Supreme Court in 1948 that restrictive covenants were unenforceable was the first major victory since 1917,⁶ and was the opening signal for a series of judicial, administrative, and legislative acts challenging racial discrimination in housing which culminated in 1968 with the passage of a federal fair housing law by Congress and the decision by the U.S. Supreme Court that the 1866 Fair Housing Law was valid and enforceable.

The leadership of the organized real estate industry first designed and imposed the system of housing

¹ *Report of the National Advisory Commission on Civil Disorders*, (March 1968) p. 1.

² *Report*, p. 10.

³ *Jones v. Mayer*, 392 U.S. 409 (1969), p. 441.

⁴ *Chicago Real Estate Board Bulletins*, XXV, Nov. 4 (April 1917), p. 316.

Quoted in Helper, Rose, *Racial Policies and Practices of Real Estate Brokers*, University of Minnesota Press (1969), p. 225

⁵ *Buchanan v. Warley*, 245 U.S. 60 (1917).

⁶ *Shelley v. Kramer*, 334 U.S. 1 (1948).

segregation and the successive mechanisms by which it was sustained, then resisted vigorously the enactment of fair housing laws, and, after fair housing laws were enacted, opposed effective enforcement and argued instead for voluntary compliance.

In 1980 this consistent thread of opposition to racial equality in housing was seen again in the real estate industry's opposition to amendments to strengthen federal fair housing law; their opposition was instrumental in defeating the proposed amendments in the Senate.

This approach has not been universal and many individual real estate brokers have supported open housing measures and have conformed their own practices to the law. In fairness, it must be said, too, that some of the educational materials prepared for real estate professionals by their professional associations have been excellent.

Even with those caveats, it is my judgment that the real estate marketers are now the most important bastions of the dual market system. At an earlier time, it might plausibly be argued that these gatekeepers to housing were reflecting the sentiments of the majority of whites who were their major constituents. Now public opinion polls, and the experience of black residents in previously all-white areas, all testify to a very wide acceptance of racial diversity in housing by whites and blacks. Such acceptance is by no means unanimous, but it is now, apparently, a majority overall, and a significant force even in neighborhoods with a reputation for hostility to blacks. The onus for continued discrimination in the all-white enclaves, and for the pervasive racial steering in many communities rests squarely on the real estate marketers.

The Present Situation

The Chicago metropolitan area remains largely a segregated area, and most black home-seekers are housed within the black segment of the dual housing market. These are the major conclusions to be drawn from an analysis of 1980 census data.⁷

Although this is the predominant pattern, there has been modest progress in opening previously closed areas to blacks, and an increase in the number of areas which are experiencing a significant increase in black population.

Like other major metropolitan areas in the Chicago metropolitan area, between 1970 and 1980, black

population grew more rapidly in the suburbs than in the city.

Black population growth in the suburbs was 102,000, in the city, 94,000.

Total black population was 1,427,825, an increase of 196,906, or 16 percent between 1970 and 1980. In 1980 blacks comprised 20.1 percent of total population.

Blacks in Chicago totaled 1,197,000, or 39.8 percent of the total city population. In the suburbs, black population was 230,825, or 5.6 percent of total suburban population.

Other minority populations also grew significantly in the decade. But these minority group members have moved to more communities, and the concentrations of these minority group members are fewer and smaller than in the case with blacks. This pattern of residence suggests that discrimination in housing is less severe against these groups than against blacks. This conclusion is bolstered from an analysis of the complaints of housing discrimination reaching the Leadership Council and other fair housing enforcement agencies. In about 95 percent of such complaints the persons discriminated against are black. In the recent past, the remaining small proportion of complaints has been registered by Hispanics, Asians, and Jews. In almost every case of discrimination against Hispanics and Asians brought to our attention, the persons discriminated against were of dark skin color. The complaints of discrimination against Jews originated in a small section of Chicago's affluent near north lakefront.

I conclude, then, that the dual housing market as a systematic set of marketing institutions designed to separate people by race and ethnicity now operates primarily to separate blacks from other residents, and tends to operate against other racial and ethnic minorities when they are dark skinned.

In the past, the dual housing market could be characterized rather simply: areas where blacks were heavily in the majority; certain areas, usually at the edges of the predominantly black areas, which were in transition from white to black; and the rest of the areas where few blacks or none lived. The first two comprised the black segment of the dual housing market, and black population growth occurred mainly in the transition areas. The real estate market operated to exclude blacks from the remaining, white, segment

⁷ The figures in this section are drawn from reports of the U.S. Bureau of the Census and reported in "Chicago's Dual Housing

Market: 1980, A Report from the Leadership Council for metropolitan Open Communities," (1980).

of the dual housing market, and fostered a process of rapid racial transition from white to black occupancy in the transition areas, leading to a resegregated neighborhood and to a repeat of the transition process in the next neighborhood.

The 1980 census reveals that this is still the predominant pattern. Between 1970 and 1980, black population increased by 220,401 in 13 Chicago community areas which were predominantly white in 1970 but which were immediately adjacent to areas which were predominantly black in 1970. There was an almost equivalent loss of black population from older, inner city black communities due, not to displacement, but to a reduction in housing stock from deterioration and abandonment. The massive character of this transfer of population can be appreciated when translated as follows: in the community area of Austin, on Chicago's west side, white population decreased by 56,341 and black population increased by 60,267 in the decade. This represents an average migration of about 4 black families into this small area *every week* throughout the decade.

A similar, though less dramatic, process of growth at the edges of existing predominantly black areas, took place in such suburban cities as Waukegan, Aurora, Chicago Heights, Elgin, Evanston, Harvey, Joliet, Markham, Maywood, North Chicago and Zion.

In contrast, there remained in 1980 177 suburban communities and 26 city community areas where the black population was less than one percent.

Thus, the earlier characterization of the dual housing market still applied, in large measure, to the Chicago metropolitan area in 1980. There were some changes in that pattern, changes described earlier as "modest progress." Most striking was the larger number of community areas where there was significant growth in black population but where there were still large proportions of white residents. Fourteen of these were communities to which blacks moved in significant numbers for the first time in the decade and where the proportion of black residents was between 10 percent and 30 percent (plus or minus ten percent from the 20 percent proportion of blacks in the total population in the metropolitan area) in 1980. In some of these communities blacks were concentrated in particular developments or neighborhoods and in some a transition was in process, but the number of such communities was an increase over 1970, and thus the pressure of black demand for housing was spread over more communities, making resegregation less likely, or at least less imminent, in each community.

In several others a transition had proceeded further and the percentage of black population exceeded 30 percent.

Although they may presently be called racially diverse, or "balanced" communities, they should be counted as part of the black segment of the dual housing market because, for the most part, real estate marketers steer blacks to those communities and whites away from them. This conclusion is based on a series of studies of marketing practices using black and white testers conducted by the Leadership Council and other fair housing agencies.

The Work of the Leadership Council

The Leadership Council for Metropolitan Open Communities was founded in 1966 by the Chicago Conference on Religion and Race. It was a direct outgrowth of a campaign for open housing led by civil rights leaders Dr. Martin Luther King, Jr. and Albert Raby, and of a meeting of civic, business, religious, civil rights, labor and government leaders at the end of that summer. Its board of directors continues to represent the leadership elements which founded it.

The programs of the Council have developed and expanded over the years in an attempt to provide a comprehensive set of strategies to transform the discriminatory dual housing market into a single housing market, free of racial and economic discrimination.

Those programs now include the following:

1. *Enforcement of fair housing laws.*

The Council provides investigators and lawyers to bring appropriate action on behalf of individuals who encounter discrimination in their search for housing. Usually the action has been private civil suits in federal court, but, increasingly, administrative procedures in the Department of Housing and Urban Development (HUD), the Illinois Department of Human Rights (IHRD), and Chicago Department of Housing are used. The Council also provides legal representation for municipalities and community organizations in suits to stop racial steering, and for other individuals and organizations which encounter an institutional practice related to housing discrimination.

Examples of the latter categories are cases charging exclusionary zoning or discrimination against black real estate professionals in real estate boards or multiple listing services.

The Council has handled some 600 fair housing cases, with about 90 percent success rate. Many of

the cases have established important precedents to extend the coverage of fair housing laws, including two cases decided by the U.S. Supreme Court.⁸

2. *Marketing of housing opportunities to minorities.* The Council, through the Fair Housing Center, formerly a program of Home Investments Fund, advertises to minority families the availability of housing throughout the market area, and provides counseling and assistance to those who wish to move outside the dual housing market boundaries. Advertisement is primarily through radio and television public service announcements. Counseling covers the whole range of tenant and homeowner considerations in addition to location and assistance, including referral to local volunteers, cooperative real estate agents and lenders, and, in some cases, a down-payment loan covered by a second mortgage.

3. *Location of assisted housing.*

The Council has a program of planning and advocacy to increase the supply and improve the distribution of housing for low and moderate income persons. Staff work with agencies of the federal and state governments to improve the available programs and their delivery and with local governments and developers to encourage well-planned developments in non-concentrated patterns. An earlier effort to improve the political acceptability in the suburbs for such housing was conducted in partnership with the Northeastern Illinois Planning Commission and a committee of 12 suburban mayors. A recent study gives this effort a part of the credit for the increase from 5,000 to 29,000 between 1978 and 1980 in the number of assisted housing units in the suburbs.⁹

4. *Assistance to low-income families.*

Through a contract with HUD, arising from the *Gautreaux* litigation,¹⁰ the Council assists members of the *Gautreaux* plaintiff class (residents of and applicants for Chicago public housing) to find housing in the private market using the Section 8 subsidy. The Council enlists landlords willing to rent in this program, and counsels and assists eligible families.

Most of the families are black, single-parent households; a high proportion receive public assistance. Since the program began in 1976, about 1,250 families have been assisted, 970 in suburban locations, 280 in the city. The turnover is lower than in most conventional and subsidized developments, an indication of tenant and landlord satisfaction which is confirmed by independent studies of the program. The chief constraints on the program have been the shortage of rental housing for large families and the need for a car to reach most suburban locations. A companion program provides support services to the families assisted through direct counseling and referral to other agencies, and through group meetings for mutual support.

5. *Opening "closed" communities.*

In recent years, the Council has focused several of its programs on parts of the metropolitan area which, in housing stock and location, would be attractive to blacks, but which are effectively closed to blacks by discrimination in the real estate market and by past hostility to black residents. These areas include the northwest and southwest sections of the city, near west suburbs and southwest suburbs. Community workers will mobilize support for black residents within those communities, while the counseling and enforcement programs will try to encourage and make possible moves by blacks to the areas. To the extent that official acts of commission or omission to preserve a segregated white community can be proved, the Council tries to extend the enforcement of the federal fair housing laws to cover proposed grants from federal agencies and to bring other remedial action.

6. *Assistance to integrated communities.*

Integrated communities in the midst of a dual housing market are particularly at risk for the reasons cited above. The Council has tried to assist such communities to remain integrated, that is, to continue to attract both white and minority home-seekers. Legal action to block racial steering has been the major activity; participation in the drafting of a model municipal fair housing ordinance recently published by Northeastern Illinois Planning Commission (NIPC) has been another.

⁸ *Village of Arlington Heights v. Metropolitan Housing Development Corporation*, 429 U.S. 1252 (1977) and *Gladstone Realtors v. Village of Bellwood*, 441 U.S. 91 (1979).

⁹ Elizabeth Warren, "Subsidized Housing in the Chicago Suburbs," Center for Urban Policy, Loyola University, (1981).

¹⁰ *Gautreaux v. Landrieu*, 66 C 1459-60.

7. *Public education.*

In the last year the Council has given renewed priority to programs of public education, to correct the mistaken impression on the part of many whites that the problem was solved by the passage of fair housing laws, and the impression of many blacks that nothing has changed and that they should confine their housing search to black and transition areas.

In summary, the Council's programs are based on the premise that housing discrimination and segregation are institutionalized in a dual housing market, the correction of which is a major social reform requiring multiple strategies applied over a period of time. Those strategies now include enforcement of fair housing laws, marketing of housing opportunities, increasing the supply of assisted housing, helping low-income families to find such housing, opening closed communities, assisting integrated communities and public education. As funds become available we expect to add programs to encourage racial and economic diversity in revitalizing neighborhoods, programs to link more directly housing and school desegregation, and increased effort to end systemic discrimination against minority real estate professionals, and in insurance and lending.

Ending the Dual Housing Market

Continued progress in opening the total housing market to blacks in the 1980's must take into account the changed realities of the housing market. These include a sharp reduction in the amount of newly constructed housing; a diminishing supply of rental housing, with accompanying lower vacancy rates; continued high interest rates, making mortgage financing for purchase or rehabilitation more difficult; a bewildering array of new lending instruments, most of which will require stricter underwriting standards; all of these the product of general economic conditions. All of them make it more, rather than less, difficult for the black family to compete for housing in the market place. There is a real danger that the modest progress begun in the last decade will slow to a halt in what is predicted to be the tightest housing market since World War II.

Those concerned for open housing, therefore, have a vital stake in economic measures to increase the supply of housing so that normal vacancy rates and mobility patterns can prevail and that other essential measures to overcome the systematic effects of past discrimination may operate. The economic measures

which might assure that production are beyond the scope of this paper. It is clear, however, that the private housing market cannot, under any foreseeable economic circumstances, produce affordable housing for low and moderate income people without subsidy, and, therefore, some form of federal housing subsidy is essential if this segment of our population is to be adequately housed. A later section will discuss this issue in greater detail.

The essential measures to open the housing market, assuming an adequate supply of housing, include these:

1. *Public education.*

Current effort to open the housing market are limited by two contradictory, but widely-held myths.

Many whites believe that the problem was solved with the passage of fair housing laws. The modest progress in some communities tends to confirm this view, as suburban whites see a few blacks on their commuter trains. The phrase, "Any black who has money can live where he wants to," expresses this view. In fact, black homeseekers encounter some discrimination in almost every part of the white segment of the housing market, and effectively total discrimination in large parts of it.

This experience of discrimination tends to confirm the second myth, held among many blacks, that nothing has changed and nothing can be done. In fact, there are beginnings of change in many communities as we saw from the 1980 census, and the fair housing law has proved a highly effective remedy for housing discrimination where those encountering discrimination use it.

The needed public education task—to teach white opinion leaders and real estate gatekeepers that the issue is still a critical one, and black homeseekers that changing conditions warrant their consideration of the total housing market—does not lend itself to slogans. It is a complex task which should engage the media, the academic and religious sectors of our society, and the public and voluntary agencies concerned with human rights and public policy to a far greater extent than is presently the case. This seminar of the U.S. Civil Rights Commission can be an important contribution.

2. *Enforcement of fair housing laws.*

While the private suit method of enforcing fair housing laws is highly effective where investigative and legal staff are available, as in Chicago, and

while this method must be retained as the backup for any system of administrative enforcement, the necessary changes in all housing markets are not likely to occur without a strengthened administrative enforcement procedure. The Fair Housing Amendments Act passed by the House of Representatives, but not by the Senate, in 1980 provided much of what is needed.

Short of that, there needs to be further progress in the already substantial cooperation among HUD, state and local enforcement agencies, and the private fair housing agencies. In particular, the state real estate licensing agency, the Illinois Department of Registration and Education (DRE), needs to be brought into the enforcement process. In the mid-1970's DRE began effectively to enforce its own fair housing standards. In recent years that effort was diminished by almost complete ineffectiveness. As an example of greater coordination, the Leadership Council is proposing a computerized system to track the progress of complaints in each of the enforcement agencies, to identify multiple offenders, and to monitor the sanctions applied as remedies.

3. *Enforcement against systemic discrimination.*

The dual housing market is ingrained in all parts of the housing system, and efforts to address this systemic discrimination need greatly to be increased. Title VI and Title VIII in Section 808d, provide the legal basis for vigorous action on the part of federal departments and agencies to deny their resources to local government where the benefits of the funds would not be available to minorities and/or where local practices do not conform to the fair housing policy of the United States. However, no effective procedures have been developed for implementing such action; and progress toward the same end through administrative complaints and litigation has been slow.

Enforcement of Executive Order 12259¹¹ and further litigation by the Department of Justice along the lines of *U.S. v. Parma*¹² should be pressed. The groundwork for two such suits was laid in complaints filed with HUD by the Leadership Council against the municipalities of Cicero and Berwyn, Illinois. HUD, after investigation and after attempted conciliation was unsuccessful, has recommended

to the Department of Justice that suits be filed charging violation of the fair housing law. That recommendation is now pending. One of the battle cries of the civil rights movement was, "No tax dollar should go where a black citizen can't go." Congress agreed in Title VI. Now it should be enforced.

4. *Affirmative marketing.*

If the real estate industry were fully committed to free enterprise, the 20 percent of blacks in our population would be eagerly sought by real estate marketers. In fact, black homeseekers are seen by most of the industry as a problem, to be discouraged or repelled, or to be exploited in the black part of the dual housing market. Affirmative marketing to black homeseekers, to overcome the myths of the past, to provide information on housing opportunities in unfamiliar locations and the assistance necessary to overcome the barriers, is an essential task. The organized real estate industry gives lip service to this need in a nation-wide voluntary affirmative marketing agreement with HUD. With few exceptions, this has proved to be a paper agreement, with little implementation. The gap has been filled by private voluntary agencies usually called fair housing centers. There are nine in the Chicago area, including one operated by the Leadership Council, and their work will be absolutely vital until the necessary reform in real estate practices is accomplished.

5. *Desegregation of the real estate industry.*

This sector of our economy, comprising hundreds of thousands of people, with powerful and effective trade associations, and with great influence over the supply and marketing of a resource essential to every person, is highly segregated, probably more so than any other comparable section of the economy. By claiming an independent status for their agents, they have won effective immunity from fair employment laws. While admitting blacks, in recent years, to membership in previously white trade associations, the actual conduct of real estate practice is rigidly segregated and attempts by black brokers to enter white markets have been resisted with all the power of the largest national trade association.

¹¹ Executive Order 12259 sets out the procedures through which federal departments and agencies shall cooperate in fulfilling the requirements of Title VIII.

¹² *U.S. v. Parma*, 81-3031 in the U.S. District Court in Cleveland, Ohio, found that the municipality of Parma, Ohio had violated fair housing laws in perpetuating a segregated white community.

Application of fair employment laws to real estate employment, and pressing of such current litigation as *Wilkes v. South Suburban Multiple Listing Services (MLS)* and *U.S. v. South Suburban MLS* should be a high priority.¹³

6. Support for integrated communities.

The Supreme Court has ruled that one of the purposes of the fair housing law is "to replace the ghettos with balanced patterns of integrated living." One of the encouraging developments of the last decade has been the emergence of a small number of suburban municipalities, deliberately committed to becoming, and remaining, diverse communities. Such conscious intent, and programs to back it up, are essential if such communities are not to become another statistic in the traditional pattern of racial transition described earlier.

One essential is the elimination of racial steering, and the strong enforcement measures referred to above must encompass this persisting violation. The very nature of such steering requires that evidence be obtained by testers, black and white, in an organized study to determine market practices. While the courts have helped by broadening the definition of those who have standing to sue to stop racial steering, there has been a discouraging tendency in this Circuit to require a higher standard of proof of such violations than is the case for individual homeseekers. Further litigation and administrative enforcement is needed.

In summary, most of the methods for furthering this vital social reform are known, and have been tested and applied in partial ways. What is needed is the large scale, adequately-funded, coordinated application of those methods. In a time when major new legislative advances are unlikely, the responsibility falls on existing governmental and private agencies, and on litigation and voluntary action as key areas for further progress.

Public Housing and the Dual Housing Market

To this point, the discussion has applied generally to the dual housing market, and to efforts to replace it with a single housing market. The remaining sections will address a special case within the dual housing

market, housing for low and moderate income persons, and one method of providing such housing, the public housing program.

Public responsibility for housing for the poor is a relatively recent phenomenon in the United States, dating from the 1930's. Following on a few examples from private philanthropy, and beginning with housing built by the Federal Public Works Administration, a succession of federal programs has been adopted and implemented to provide safe, sanitary and decent housing for people who could not afford to rent or buy such housing in the private market.¹⁴ Most of these have been programs to subsidize the construction and operation of new structures designed to house such persons. In more recent years, programs to rehabilitate existing structures for such purposes and to provide a subsidy for such families in existing structures have been added.

This issue is important to a discussion of the dual housing market. First, blacks and minorities are over-represented in the income groups which cannot obtain adequate housing without assistance. Second, poor blacks and minority persons suffer double discrimination on account of race and economic status. There is a general prejudice against the poor in this society and a particular prejudice against housing for the poor because of certain well-publicized failures in the public housing programs.

Assisted Housing—The Present Situation

The Chicago metropolitan area, by the latest study, provided a total of 110,453 units of assisted housing or about 4 percent of the total of 2,496,876 such housing units.¹⁵ In most of the assisted housing, the subsidy is attached to the particular structure and to the location in which it was built. In these forms of assisted housing, the critical factors for the dual housing market are the racial composition of the community in which the housing market is located, and the tenant marketing and selection policies of the management. 11,396 units, 10 percent of the total, are subsidized under the Section 8 existing housing program in which the subsidy goes with the tenant to the housing of his choice among appropriately priced units in the jurisdiction of the administering housing authority. Here the considerations are similar to those in the private

¹³ These cases, *Wilkes v. South Suburban MLS*, H-77-417, and *U.S. v. South Suburban MLS*, H-80-307, are pending trial in the U.S. District Court in Hammond, Indiana. They allege that black real estate brokers were illegally excluded from a multiple listing service covering white areas of Lake and Porter Counties, Indiana.

¹⁴ This discussion draws heavily on Devereux Bowly, *The Poorhouse—Subsidized Housing in Chicago, 1895-1976*, Southern Illinois University Press (1978).

¹⁵ This section uses figures from Elizabeth Warren, *supra*.

rental market although the subsidy adds an additional complication

About one-third of the assisted housing units are for the elderly, the remainder for families. For dual housing market consideration, assisted housing for families is more relevant, since elderly households by preference are not as mobile as family households and thus elderly assisted housing would be expected to reflect the racial composition of the community in which it is built more fully than family assisted housing.

In the 99,097 housing units in which the subsidy is attached to the unit, 44,952 are public housing units; of these 32,264 are for families, 12,688 for elderly. Of the 32,264 family public housing units, 30,398 are in Chicago, 1,866 in the suburbs. The units in Chicago are concentrated heavily in 12 community areas, most of them predominantly black, and almost all of these units are occupied by blacks. The *Gautreaux* litigation established that this policy of building segregated housing in segregated neighborhoods had been deliberate on the part of the Chicago Housing Authority and that HUD had been culpable for its acquiescence in and support of this policy. The exceptions to this segregated practice are three mixed housing projects in which the racial occupancy is governed by court orders in *Gautreaux* and 153 units of scattered site housing in racially diverse community areas, much of it built under those orders.

In the suburbs, family housing is concentrated in ten suburbs all with substantial black populations. I do not have available at this writing the precise racial compositions of those projects or of the immediate surrounding areas, but it is clear that most of these housing units, also, provide housing for blacks in segregated black areas.

Thus public housing is, on the whole, the most segregated of all housing. The exception, and the hope for the future, is scattered site public housing.

The other construction assistance programs, Section 221 (d)(3), Section 235, Section 236, and Section 8 new construction and substantial rehabilitation, have a somewhat better record. Many of these were provided in the 1970's, under federal fair housing laws, HUD site selection standards and affirmative marketing requirements, and, after 1974 Congressional mandates to avoid concentrations of assisted programs. Substantial proportions of this housing was built in the suburbs. For example, 8,427, or 29 percent of the region's total of 28,772 Section 221(d)(3) and Section 236 were provided in the suburbs, and 1,801, or 32

percent of the regions 5,623 Section 8 new construction and substantial rehabilitation units were provided in the suburbs. In contrast, only 6 percent of the family public housing units are in the suburbs.

This is significant because it provides some opportunity for low-income minority families to make a choice between city and suburban locations and, especially, to follow growing displacement of jobs from city to suburbs. While this record is better than that for public housing, it does not represent a complete break with dual housing market patterns. Much of the city housing in this category is located in predominantly black areas, and has mainly black occupants—again, segregated housing in segregated neighborhoods. Some of the suburban housing in this category is similar in location and residential make-up. 30 percent of the suburban 221 (d)(3)/236 production is in predominantly black communities, and in these areas most of the occupants are blacks. Section 8 new construction is less concentrated and has a more diverse population. Particularly the developments financed by the Illinois Housing Development Authority, which requires and monitors strong affirmative marketing, are well-located throughout the suburban area and have achieved proportions of black occupancy in developments in white areas which range from 10 percent to 30 percent. Many of these are also mixed-income developments, which adds to their viability and acceptability.

There are now enough suburban and city developments with good records for location, racial diversity and economic viability to provide examples of successful racially diverse housing with positive impact on the surrounding neighborhood. It is little short of tragic that just when these examples might provide the impetus for dramatic changes in total housing patterns, a combination of economic conditions and changed government policies appears likely to shut down such programs completely.

The Section 8 existing housing program, in theory, offered an ideal mechanism for low-income minority families to find housing outside the black sector of the dual housing market.

In fact, most Section 8 existing placements reflect the dual housing market. Consumer reluctance to shop for housing in unfamiliar areas, landlord reluctance to cooperate with the Section 8 program and outright racial discrimination have meant that most black Section 8 existing families live in black areas. There are some exceptions in Chicago, where *Gautreaux* orders dictating the proportions to be made

available in black and white areas have been partially observed, and in a special program, administered by the Leadership Council to provide direct relief using a special set-aside of Section 8 existing units to members of the *Gautreaux* plaintiff class.

The experience of these programs illustrates clearly the maxim: Any housing program which is not deliberately administered to overcome the dual housing market will end up by reinforcing it.

Remedies in Assisted Housing

As we have seen, the massive concentrations of segregated public housing make this program a part of the problem of the dual housing market.

Can public housing be part of the solution? The question is complicated by the fact that the original design and subsequent management of much of this public housing has been of poor quality, that it provides a distressing environment for the families who live there and has given all public housing and, to some extent all assisted housing, a negative image which makes far more difficult efforts to build needed assisted housing of good design and quality. Added to this is the extremely high cost of maintaining such structures in a situation where they are heavily over-used.

Under *Gautreaux* court orders and earlier, some scattered site public housing has been built in Chicago. Three to 15 units in size, not concentrated in one block or neighborhood, with designs which fit neighborhood patterns, careful selection of tenants and regular maintenance—these developments have been well accepted, even though they were often opposed initially by local residents. This experience establishes a hopeful pattern for the future.

A rational policy would encourage the rapid growth of such small, scattered public housing developments, looking to the time when their availability would allow for some lowering of the density in the massive high-rise concentrations, and conversions of some of those to alternate uses and as elderly housing, or limited equity cooperatives.

The city and CHA are, under *Gautreaux* court orders, embarked on a modest expansion of such housing aimed to provide 2,200 units in all parts of the city. Acquisition and construction have encountered familiar kinds of opposition from some neighborhoods, but have also generated support from traditional supporters of rational housing planning and from such new groups as a city-wide tenants association.

Recent proposals by Chicago's mayor to stop this program and to shift the funds committed to it to operating subsidies for the bankrupt older developments are short-sighted in the extreme and, in my view, are precisely the wrong allocation of priorities. Scattered site public housing is the only available form of public housing construction which can provide a good environment for families, particularly large families; it has the best chance of avoiding the fatally high maintenance costs of the high-rise concentrations.

The *Gautreaux* Program operated by the Leadership Council presents another model. The Council seeks out landlords and persuades some of them to cooperate by renting to Section 8 certificate holders, and works closely with the applicant families to prepare them for the choice and move. This combination of tenant and landlord approaches has resulted in 1,250 moves in the last five years, most of them of very low-income black families to predominantly white suburbs, with little notoriety or opposition, good acceptance by landlords and tenants, and a rate of turnover which compares favorably with that in both subsidized and market rate rental developments.

The program is a further demonstration that mixed-income, racially diverse housing can work for all involved. It stands in contrast to the experience of other Section 8 existing programs whose promise of mobility and reduced concentrations for assisted families has not been met. It offers a model of the extra services needed if the housing voucher program now proposed as a replacement for Section 8 is not to add one more to the list of well-intentioned housing programs which ended up reinforcing the dual housing market.

A further problem with Section 8 existing housing program is that they are administered by a housing authority within that authority's geographic jurisdiction. There are 13 such authorities operating Section 8 programs in the Chicago metropolitan area, and their boundaries limit the choice of families who apply for their programs.

Eight of the authorities, however, have chosen to cooperate in a certificate exchange program, coordinated by the Leadership Council, in which they make at least 5 percent of their Section 8 certificates available to families from cooperating jurisdictions. In the first two years, 284 families looked for housing in another area and 141 were successful. Such moves go in all directions, but a significant proportion of them

provided opportunity for minority families to move out of areas of minority concentration.

Here are three models of operation of assisted housing programs, one in public housing, which show that the dual housing market need not prevail, and that well-conceived programs to offer low-income minority families a wider choice in the housing market are eagerly sought by the eligible families and well-accepted in the receiving communities. There is some

evidence that the mobility provided in these programs is a key element for some such families in entering, or upgrading themselves, in the better job markets provided by their new locations.

As a matter of right, and as a matter of sound public policy, programs to deconcentrate assisted housing and to offer low-income families a choice of location should have high priority.

The Developers

The Establishment of Housing Patterns in Chicago

by Michael W. Scott, Vice President, Pyramidwest Development Corp.

Chicago is perhaps the most residentially segregated city in the country. Its reputation is based on a strong tradition of neighborhood towns or "ethnic states." Early Chicagoans—Bohemians, Germans, Irish, Italians, Jews, Lithuanians, Poles—tended to settle together and defend their customs and their borders against newcomers. Black people were the ultimate newcomers. Lured up from the South by stories of higher wages, political freedom, the "good life," they settled on the South Side and began testing borders.

By the end of World War I their own borders had been erected for them. Jim Crow ordinances and restrictive covenants were used to control any expansion. Specifically, the Chicago Real Estate Board's Code of Ethics cautioned: "A realtor should never be instrumental in introducing into a neighborhood . . . members of any race or nationality or any individual whose presence would be clearly detrimental to property values in that neighborhood." But the black influx continued, and by the 1940's the South Side could no longer accommodate the migrants. Subscribers to the American Dream, they wanted the stability symbolized by home ownership. Some blacks jumped the borders and spilled over into wherever housing was available: East Chicago, Chicago Heights. Some went as far as Gary, Indiana, and sat waiting for change to move back. At the same time, many whites were moving into the suburbs.

In 1948 the United States Supreme Court ruled racially restrictive covenants judicially unenforceable. In 1950 the Real Estate Board dropped the words "race" and "nationality" from its code, but the policy remained the same. In the mid-1950's when urban renewal began its demolition and removal program in black slum areas, a number of "panic peddlers" seized on the U.S. Supreme Court's 1948 ruling to "open up" and "turn" white residential neighborhoods over to eager black buyers. For most poor black families uprooted by urban renewal, as well as for those seeking to get out of other overcrowded black communities, the choice was a simple one: accept segregated public housing, challenge segregationist practices in white ethnic neighborhoods and depend on police protection, or attempt to buy one of the solidly constructed homes rapidly becoming available through a combination of panic peddling and the exodus of white ethnics to the suburbs. Many poor black families, like those in Lawndale, chose to follow the blockbusters.

Lawndale

The North Lawndale community is a tract of land located about 6 miles due west of Chicago's central business district. It consists of approximately 5 square miles of land and is inhabited by approximately 90,000 persons, 99 percent of which are minority (black). The area is generally identified as that land located between the Eisenhower Expressway on the North, the city limits on the West, Western Avenue on the East and 22nd Street on the South.

Between 1958 and 1961, most of the northern part of Lawndale passed from white to black occupancy, with little enough push from the blockbusters. Some merely hired black women to walk their children through white neighborhoods or paid black men to drive noisy cars through an area a few times a day. Sometimes it was a telephone call for "Johnnie Mae." Another caller might simply say, "They're coming." The whites sold, many at prices far below the appraised value of their homes. And very shortly, sometimes within the same week, the houses would be resold to eager black families at inflated prices and at very high interest rates on installment purchase contracts.

By all indices of standard social science and conventional wisdom, North Lawndale should not survive as a community, let alone grow in strength. Disaster might best describe the almost three-mile stretch of Roosevelt Road, the major commercial strip that goes through the community. The property has suffered the ravages of the marketplace: declining purchasing power as black families, many of whom were employed in marginal jobs or received public assistance, moved in, and now many are moving out; competition to the west and south from small-and-medium-sized shopping centers with their two square foot of shopping. Many other commercial streets in Chicago have suffered a similar fate, but what distinctively marks off Roosevelt Road, and one or two other streets on the westside, is yet another factor—the destruction wrought by the rebellious act of young blacks in the riots of the late sixties. Frustrated by a system that was rigged against them and unable to obtain redress through legitimate channels, many of the young people of Lawndale literally took up the torch as a political weapon. Fury mixed with protest left many burned out buildings along Roosevelt Road after the rebellion of the summer of 1966 and the one that followed (the assassination) of Martin Luther King Jr. two years later.

This protest did receive a response from federal and local governments. With great ballyhoo large-scale funding was suddenly heaped upon emergency programs for housing, jobs and social services. Some youth gang leaders were sent to Dartmouth College, others to Stateville Penitentiary. In the midseventies, North Lawndale no longer showed raw scars like those of a city just after an air raid. The burned out buildings have been bulldozed and weeds were growing in their place. The emergency programs had disappeared too.

90,000 black people still remained in North Lawndale. Undaunted by the experts' projections of date, they still confronted the struggle to forge a viable social community and to make the physical surroundings decent ones to live in.

Other Factors

The West Side historically was an area where early Chicago industrialists located heavy industry in order to take advantage of the river and the railroad network which made possible the transportation of raw materials and goods. "Monster factories" were built. Working-men built cottages nearby. Despite poverty, disease and industrial strife, refugees and immigrants from other lands chose the city, and the West Side was where they first settled in Chicago.

A Post World War II survey of Chicago's industrial plants found one-third of all Chicago factories were constructed before 1912, were multi-story buildings, 48 percent of which had no room for expansion. Industrial parks in unincorporated areas was the solution industrialists chose, rather than build a new plant on the same ground. A new logic for economic location was fashioned around the building of super highways, decentralization of operations, horizontal line production methods and the high cost of city sites. West Side industrial operations, some already 70 years old in 1940, found land outside the city limits for their innovations rather than sink millions into renovation. Industrial slums without jobs were what was left of what was once the heart of Chicago's economic life.

The West Side's role in the city's overall economic planning changed from industrial to institutional, from blue collar to white collar. Speculators, large and small, rediscovered a new frontier—the West Side.

The civil rights movement of the 1960's contented that the national urban renewal efforts were no more than Negro removal. In Chicago, the blacks who had already been relocated from the South Side by institutional clearance resisted and began to counter-attack. Organizations, made up of blacks who had almost over-night filled the West Side homes and apartments vacated by whites, were founded. Local organizations, protesting unlivable conditions and rejecting any vision of a new economic frontier on the West Side that excluded them, struggled for a voice and a choice in their future.

Organizing West Side Style

West Side organizations banded together at first under the banner of Dr. Martin Luther King's Illinois

Rally for Civil Rights (1964) in order to visibly demonstrate the size and strength of their community in a town that refused to admit that blacks were a plurality on two sides of town—South and West. The West Side Federation (WSF) born in 1965 under the leadership of a local black Baptist minister, began to review the needs of its communities, Lawndale, East Garfield Park, West Garfield Park and Near West Side. WSF viewed itself as providing a forum and service for local organizations. Membership groups represented both the people of the community and local service organizations. WSF activities at first covered a range of different issues and experimental programs; some carefully planned and executed while others were almost instinctive response to the crises of the moment.

In December 1966, the WSF discovered private developers had completed first phase planning (diagrammatic area plan, preliminary consideration of structure types, and economic feasibility) covering the entire Lawndale community. Meetings between developers representing Chicago's largest commercial concerns and the Department of Urban Renewal were held in order to find a suitable framework for the proposal. Trips to Washington, D.C., to discuss Model Cities and "New Town" legislation were held. Specifics of the plan included total clearance of several square miles of housing to be replaced by 12,500 units of middle and upper income housing owned and leased by the developer, a 45 acre golf course, etc. . . . The WSF countered with a plan of its own.

An ad hoc group of Lawndale organizations, called Lawndale Peoples Planning and Action Conference (PPAC), aided by WSF, after six months of intensive review of public and private plans for its community, sponsored a conference entitled "Today's Lawndale: Black Colony—Tomorrow's Lawndale: New City." The results of this conference convinced community representatives that their community could prosper only by hiring their own planners to work with and represent the community. Subsequently, the sponsoring organizations provided the leadership in fund raising from local business for the creation of the Lawndale People's Planning Committee (LPPC). The Committee was to oversee anticipated community improvement efforts and to build wider community support for these efforts.

In March 1968, the consulting firms of Greenleigh Associates, Inc. (social research and management consultants) and Marcou, O'Leary and Associates (planning and urban development consultants) were

engaged to provide professional assistance to LPPC in preparing a social and physical development plan and action program for a prototype area.

Early in their study, the consultants made two recommendations which were considered critical to any sustained community improvement effort. One was to develop a strong, broadly representative community organization able to gain community-wide consensus on long-range objectives and short-range actions and able to press dramatically for increased city government attention and aid. The other was to form an economic development corporation owned by a broad range of Lawndale residents and capable of undertaking large-scale development projects. Both recommendations were instituted.

In November 1968, four major Lawndale organizations, including LPPC, merged into the Lawndale Peoples Planning and Action Conference (LPPAC). North Lawndale Economic Development Corporation (presently known as Pyramidwest Development Corporation PDC) was created as a profit making, community owned structure capable of undertaking large housing, commercial and industrial ventures to aid the overall community and permit profits to be distributed to individual shareholders throughout the community.

The development strategy chosen was the "prototype approach" which made it possible to immediately begin to solve current problems in a selected geographic area and at the same time prepare sufficiently broad plans in scope to capture the imagination and support of the entire community as well as public and private leaders in the city. Plans for the prototype areas would demonstrate solutions to pressing problems existing throughout the area.

Pyramidwest: Its Board and Structure

Armed with this community mandate, Pyramidwest became a for-profit corporation under the laws of the state of Delaware (authorized to operate in the state of Illinois); its 23 original incorporations, many of whom are still actively involved in the corporation, were residents of or employed in North Lawndale. Pyramidwest now has three classes of stock: Class A, the 50,000 authorized voting common shares, is registered under the Securities Exchange Act of 1934 and is intended to be sold to the residents of the area at \$5.00 per share. At present there are 578 stockholders holding 1,954 shares. In Class B, 192,000 of an authorized 200,000 nonvoting shares are held by an Illinois trust for the benefit of LPPAC and its

constituents and have been issued in exchange for the capital contributions of the U.S. Office of Economic Opportunity and its successor, the Community Services Administration. Most of the profits generated by Pyramidwest will go into this trust and are to be distributed in the community for health, education, social and other activities for the benefit of the low-income residents. There is also a Class C nonvoting stock, for private offerings to large institutional investors to attract additional venture capital.

The company at this time has a 21-member board of directors elected by the Class A stockholders for three-year staggered terms. The Pyramidwest Development Corporation also has a very active business advisory group, currently made up of eight downtown business and banking executives, lawyers, and accountants, which advises the corporation on technical matters and on day-to-day business strategies.

Investments

In 1974, Pyramidwest organized Pyramidwest Realty and Management, Inc., (PRM) as a wholly-owned subsidiary corporation to develop, moderate and manage residential, commercial and industrial properties. PRM is a licensed real estate brokerage company whose business consists of property management and the arranging of financing for the development and sale of rehabilitated and new residential, commercial and industrial properties. PRM is also engaged, on a limited basis, in the real estate brokerage business on the West Side of Chicago.

Local Redevelopment Authority of Lawndale, Inc. (LRAL) is a not for profit Illinois corporation which was incorporated in 1971 to receive and administer public works grants from the Economic Development Administration (EDA) of the United States Department of Commerce and to accept and administer programs and funds from other government agencies and private sources as might further the development activities of PRM. LRAL is not a subsidiary of Pyramidwest but the President of Pyramidwest is the Secretary and one of 11 directors of LRAL.

Certain commercial and industrial developments and healthcare developments being developed by PRM California Health Care, Inc. (CHI) were the beneficiaries of LRAL administered EDA public works grants for site improvements. In order for these developments to qualify for EDA public works grants for certain site improvements, land originally acquired by Pyramidwest was sold to LRAL and leased back to Pyramidwest and LRAL later assigned all of their

respective interests in such land to certain Illinois land trusts which are beneficially owned by Illinois limited partnerships in which Pyramidwest has invested as a limited partner' PRM or CHI is the general partner in all of these Illinois limited partnerships.

Property Management

PRM has been engaged in property management activities for more than seven years. Presently, PRM is managing approximately 1,500 units of substantially occupied residential properties. PRM has also managed up to 50,000 square feet of occupied commercial properties and currently manages approximately 10,000 square feet of occupied commercial properties. The property management and real estate development activities of PRM contributed \$926,670 or 29 percent of the consolidated revenues of Pyramidwest for the six months ended December 31, 1980. PRM operated properties which generate more than \$1,000,000 in revenues. PRM administered these funds as agent by paying all costs of operations and overseeing the activities of more than 60 employees of the properties. These activities were accounted for by periodic reports to the owners of the properties.

Industrial Development

Cal-West Center I Investors

Cal-West Center I Investors, an Illinois limited partnership, in which Pyramidwest owns a 99 percent limited partnership interest and in which PRM is the general partner and owns a one percent partnership interest, owns the beneficial interest in an Illinois land trust which holds legal title to the eight subdivided lots of Cal-West Center industrial development. To accomplish site developments, the land was sold to LRAL so that the site could qualify for 80% EDA public works site improvement funds for the construction of streets, sewer and water and utility lines. After site improvements were completed, the completed improvements were dedicated to the city of Chicago for operation and maintenance. LRAL's interest in the lots was then deeded to the Illinois marketing efforts which were terminated when the Chicago Board of Education, a public agency with condemnation powers, passed a resolution calling for the acquisition of the entire site for the construction of a new public high school. In July 1979, the Public Building Commission of Chicago filed condemnation proceedings to take this property for that public purpose. In such a proceeding the owner is entitled to fair market value compensation as determined by the Circuit Court of

Cook County, Illinois. Fair market value compensation as determined by the Court may not equal the cost of acquisition and carrying charges as carried on the books of Cal-West Center I Investors. The condemnation proceedings may be abandoned, and, if abandoned, PRM will place the site on the market again. No assurances can be given that this development can be marketed, and, if marketed, that it can be financed and developed.

Cal-West Center II Investors

This development (Chicago Center for Industry) consists of 53 acres which are now being marketed. LRAL completed construction of demolition, street, sewer and water and utility improvements on the parcel in late summer, 1979, and these improvements have been dedicated to the city of Chicago. The remaining acreage has been subdivided into 17 parcels and transferred to an Illinois land trust, which is beneficially owned by Cal-West Center II Investors, an Illinois limited partnership in which Pyramidwest owns a 99 percent partnership interest. PRM, the general partner and owner of a one percent partnership interest will sell or lease the subdivided lots and/or develop and lease facilities to businesses which are expected to provide employment opportunities for area residents. This development is one of several industrial developments now on the market in the city of Chicago. These developments compete against each other and against suburban industrial developments. To the extent that taxes, environment and similar considerations are competitive factors, this development may be at a competitive disadvantage with such other industrial developments. No assurances can be given that this development can be marketed, and, if marketed, that it can be financed and developed.

Commercial Development

Lawndale Plaza Investors

Lawndale Plaza Investors, an Illinois limited partnership, is beneficial owner of an Illinois land trust which will own the proposed Lawndale Plaza Shopping Center. Pyramidwest owns a 99 percent limited partnership interest and PRM is the general partner and owns a one percent partnership interest. A portion of the land has been transferred to LRAL and leased back to the Illinois land trust for site development, including the construction of a parking area, sewer, water and utility lines and landscaping improvements. Financing for the site development costs is to be provided by LRAL, if the EDA funding allocated for this activity remains available.

Lawndale Plaza is a proposed commercial development which will serve a low income area and, as such, will compete with the central business district and surrounding suburban and neighborhood development for tenants and customers without the benefit of ideal location or the advantages of price or tenant mix. No assurances can be given that acceptable tenants can be found or that financing can be arranged for development of these facilities, or that this development can be completed or, if completed, that it will generate sufficient income to service the mortgage debt and pay expenses of operations.

Lawndale Towers Investors

Lawndale Towers is a proposed commercial development of 20,000 square feet. This space will be developed by Lawndale Towers Investors, an Illinois limited partnership, beneficial owner of an Illinois land trust which holds title to the northwest corner of the Lawndale Plaza Shopping Center site, a lot of 37,308 square feet. PRM is the general partner and owner of a one percent partnership interest and Pyramidwest owns a 99 percent limited partnership interest. The structure is planned as two levels of approximately 20,000 net leasable square feet.

No assurances can be given that PRM can raise the capital investment required or that, if raised, such capital investment can be leveraged to generate the required mortgage financing. Even if financing can be secured, no assurances can be given that this development can be constructed within the estimated budget, or that, if developed within its budget, the facility can be operated on a basis that generates sufficient income to pay operating expenses and service the mortgage debt.

CHP Associates I Ltd.

The 3.65 acre Lot 1 of California Health Park has been conveyed to an Illinois land trust for the sole benefit of CHP Associates I Ltd', an Illinois limited partnership. PRM is the general partner and owns a 50 percent limited partnership interest and Pyramidwest is a limited partner and owns a 50 percent limited partnership interest.

PRM proposes to develop this site as a convenience shopping center consisting of approximately 30,000 square feet of retail space to be leased to grocer, restaurant and service tenants. This development would require special zoning approval and will only be pursued if such approval can be obtained and if acceptable tenants can be recruited to locate on the site. The Board of Commissioners of Cook County has instituted proceedings to condemn this site for a public

purpose and the Circuit Court of Cook County will determine the fair market compensation due to PRM for the taking of this property.

No assurances can be given that these contemplated proceedings will be complete, and if not that the property can be financed, developed or operated on a basis that will produce income sufficient to cover operating expenses, service the mortgage debt or produce a profit.

Residential Development

Lawndale Terrace Investors

Lawndale Terrace Investors, an Illinois limited partnership, was organized to develop and own a 150 unit rental housing development consisting of a 120 unit elderly building and 30 units of attached town-house family dwellings. The partnership is beneficial owner of property held by an Illinois land trust. PRM is a general partner of the partnership. Pyramidwest sold its limited partnership interest to private investors. Construction is expected to be completed in November, 1981 under financing insured by HUD and a commitment of Government National Mortgage Association (GNMA) permanent mortgage funds under a 40 year mortgage with interests at 7.5 per annum. Interim financing for the construction of the development is being provided by the Illinois Housing Development Authority (IDHA) for a period of 20 months at an interest rate of 11 percent annum.

Under the terms of the sale of limited partnership interest to private investors, for a fee, PRM has undertaken to guarantee funds, in addition to loan proceeds, required to complete the development and to close the permanent loan. PRM has incurred no material obligations under this provision to date and does not anticipate any such obligations in the future. PRM will manage the property for the partnership for the fee plus costs of operations. In addition, if the permanent mortgage is not closed prior to expiration of GNMA commitment expires and is not timely reinstated, or if PRM does not supply any funds required to complete the development, then the limited partners have the right to receive a refund of their capital contributions.

The development will compete with other elderly and family developments located in surrounding areas and may experience difficulties in attaining desired occupancy levels. No assurance can be given that this development can be completed with available financing, that the permanent loan can be closed before the

commitment expires, or that PRM can raise any funds required to complete the financing.

Plaza Courts Associates (Douglas Park Development-NLEDC Group Investors)

Plaza Court Associates (formerly Douglas Park Development-NLEDC Group Investors) is an Illinois limited partnership organized to develop and own the beneficial interest in an Illinois land trust which will own the Plaza Court development. PRM is a general partner and Pyramidwest has sold its limited partnership interest. HUD is providing insurance of construction financing and a permanent mortgage loan to develop this 48 unit development, consisting of 12 two bedroom units and 36 three bedroom units. A permanent mortgage commitment has been purchased from this development from GNMA. This development has received Section 8 housing assistance payments annual contribution reservations from HUD for each of the 48 units. Construction started in December, 1980 and will be completed in twelve months. Under the terms of the sale of limited partnership interest PRM has undertaken, for a fee, to guarantee completion of the project. PRM has incurred no material obligations under this provision to date and does not anticipate any such obligations in the future. PRM will manage the property for the partnership for a fee plus the costs of operations. The site is located on the south side of Roosevelt Road directly across from the Lawndale Plaza Shopping Center site.

This development will compete with other similar developments offering comparable facilities and services with similar terms and conditions. No assurances can be given that this development can be completed with available financing or that PRM can raise any capital required to complete the financing, or that the permanent loan can be closed before the commitment expires.

Restoration Investors III

PRM is a general partner in Restoration Investors III, an Illinois limited partnership, which is the beneficial owner of 51 existing buildings containing 311 units. PRM manages all of the 311 units. PRM and Pyramidwest sold their limited partnership interests to private investors. Each of the 311 units will qualify to receive HUD Section 8 housing assistance payments when each of the units is completed and certified for occupancy.

PRM expects that construction on this development will be completed by March 1, 1982. During construction PRM is required, for a fee, to advance any construction period operating deficits and will keep

any construction period operating surpluses. PRM receives a management fee from rentals and concessionaires.

Under the terms of the sale of limited partnership interest to private investors, PRM has, for a fee, undertaken to guarantee funds in addition to loan proceeds required to complete the development to close the permanent loan. PRM has incurred no material obligations under this provision to date and does not anticipate any such obligations in the future. In addition, if the permanent mortgage is not closed prior to expiration of the GNMA commitment or any extension thereof, or, if any financing, insurance or subsidiary commitment expires and is not timely reinstated, or if PRM does not supply any funds required to complete the development, then the limited partners have the right to receive a refund of their capital contributions from the partnership.

No assurance can be given that the rehabilitation will be completed, and, if completed, that available financing will be adequate or that the work will be completed before the financing commitments expire. In addition, no assurances can be given that PRM can raise any capital required to complete the financing.

Restoration Investors V

PRM is a general partner in Restoration Investors V, an Illinois limited partnership, which is the beneficial owner of 11 existing buildings containing 307 units. PRM presently manages all of the 307 units. Each of the 307 units qualify to receive HUD Section 8 housing assistance payments when each of the units is complete and certified for occupancy by HUD.

PRM and Pyramidwest sold their limited partnership interests and PRM remains as a General Partner of the limited partnership. As a General Partner PRM retains obligations to guarantee completion and against defaults in financing before delivery of the permanent loan and incurred other responsibilities similar to those undertaken in the sale of Restoration Investors III.

Construction is substantially completed and the construction loan is being prepared for closing of the permanent loan. During construction PRM has been required, for a fee, to advance any construction period operation deficits and will keep any construction period operation surpluses. PRM has incurred no material obligations under this provision to date and does not anticipate any obligations in the future. PRM receives a management fee from rentals and concessionaires.

No assurance can be given that the construction will be completed, and if completed, that available financing will be adequate, or that the work will be completed before the financing commitments expire. In addition, no assurances can be given that PRM can raise any capital required to complete the financing.

Restoration Investors I

PRM is a general partner and owns a 99 percent limited partnership interest in Restoration Investors I, an Illinois limited partnership, which is beneficial owner of 11 existing buildings containing 249 units. PRM presently manages all of the units. Legal title is held by an Illinois land trust which is mortgagor for HUD insured advances for development costs all of which will be provided by GNMA, the permanent lender upon completion of the project. The permanent mortgage loan will be for 40 years and the interest rate will be 7 and a half percent per annum. Each of the 249 units qualify to receive Section 8 housing assistance payments, when each of the units is completed and certified for occupancy by HUD.

PRM expects that construction will start on this development in December 1981 and be completed in 18 months. During construction PRM will, for a fee, be required to advance any construction period operation surpluses. PRM will receive a management fee from rentals and concessionaires.

PRM has an agreement to sell all of the limited partnership interest to private investors. PRM will remain as a General Partner of the limited partnership. As a General Partner PRM will, for a fee, be obligated to guarantee completion and against defaults in financing and incur other responsibilities similar to those undertaken in the sale of the interest in Restoration Investors III.

No assurances can be given that financing will be adequate to complete the work, or that the work will be completed before the financing commitments expire. In addition, no assurances can be given that PRM can raise any capital required to complete the financing.

Restoration Investors II

PRM is a general partner of Restoration Investors II, an Illinois limited partnership which is the beneficial owner of 6 existing buildings containing 111 units. PRM presently manages all of the units. Legal title to the buildings is held by an Illinois land trust which is mortgagor for HUD insured advances for development costs which will be provided by GNMA, the permanent lender, upon completion of the project. The permanent mortgage loan will be for 40 years and

the interest rate will be 7 and a half percent per annum. Each of the 111 units qualify to receive Section 8 housing assistance payments when each of the units is completed and certified for occupancy.

Construction started on this development in December 1980 and is expected to be completed in 14 months. During construction PRM is required, for a fee, to advance any construction period operating deficits and will keep any construction period operation surpluses. PRM has incurred no material obligations under this provision to date and does not anticipate any such obligations in the future. PRM will receive a management fee of a percentage of gross collections from rentals and concessionaires.

PRM sold all of the limited partnership interest to private investors. PRM will remain as a General Partner of the limited partnership. As a General Partner PRM will be obligated, for a fee, to guarantee completion and against defaults in financing and incur other responsibilities similar to those undertaken in the sale of the interest in Restoration Investors III.

No assurances can be given that financing will be adequate to complete the work, or that the work will be completed before the financing commitments expire. In addition, no assurances can be given that PRM can raise any capital required to complete the financing.

Restoration Investors IV

PRM is a general partner in Restoration Investors IV, an Illinois limited partnership which is beneficial owner of 21 existing buildings containing 266 units. PRM presently manages all of the units. Legal title to the buildings was purchased by an Illinois land trust which is mortgagor for HUD insured advances for development costs to be provided by GNMA, the permanent lender, upon completion of the project. The permanent mortgage loan will be for 40 years and the interest rate will be 7 and a half percent per annum. Each of the 266 units qualify to receive Section 8 housing assistance payments. HUD payment of Section 8 housing assistance payments will not begin for a unit until rehabilitation work has been completed on that unit and the unit certified for occupancy by HUD.

Construction started on this development in September 1981 and is expected to be completed in 15 months. During construction PRM will, for a fee, be required to advance any construction period operating deficits and will keep any construction period operating surpluses. PRM has incurred no material obligations under this provision to date and does not

anticipate any such obligations in the future. PRM will receive a management fee from rentals and concessionaires.

PRM sold all of its limited partnership interest to private investors. PRM will remain as a General Partner of the limited partnership. As a General Partner PRM will be obligated for a fee, to guarantee completion and against defaults in financing before delivery of the permanent loan and incur other responsibilities similar to those undertaken in the sale of the interest in Restoration Investors III.

No assurance can be given that financing will be adequate to complete the work, or that the work will be completed before the financing commitments expire. In addition, no assurance can be given that PRM can raise any capital required to complete the financing.

Restoration Investors VI

PRM is General Partner and owns a 99 percent limited partnership interest in Restoration Investors VI, an Illinois limited partnership which will be beneficial owner of 7 existing buildings containing 57 units. PRM presently manages all of the units. Legal title to the buildings will be purchased by an Illinois land trust which will be mortgagor under a HUD insured mortgage.

PRM has applied for HUD insured mortgage financing for rehabilitation of each of the 57 units and each unit will qualify for Section 8 housing assistance payments. HUD payment of Section 8 housing assistance payments will not begin for a unit until rehabilitation work has been completed on that unit and that unit has been certified for occupancy.

PRM expects to sell its limited partnership interest.

PRM expects that construction will start on this development in March 1982 and be completed in 14 months. During construction PRM will be required to advance any construction period operating deficits and will keep any construction period surpluses. PRM will receive a management fee from rentals and concessionaires.

Prior to the time that work on all of the units is completed and such units are placed in service, PRM may sell all of its limited partnership interest to investors. If the limited partnership interest is not sold then PRM will be required to maintain its investment and rely upon the distribution of qualified operating surpluses or refinancing of partnership assets to generate income or return of capital from this development.

No assurances can be given that the acquisition will be completed, and, if completed, that available financing will be adequate to complete the work, or that the work will be completed before the financing commitments expire. In addition, no assurances can be given that PRM can raise the capital required to complete the financing.

Roosevelt-Independence Associates II.

PRM is general partner and owns a 99 percent limited partnership interest in Roosevelt-Independence Associates II, an Illinois limited partnership, which will be beneficial owner of an Illinois land trust as mortgagor for a proposed HUD insured mortgage to acquire and rehabilitate 95 units of existing housing. HUD has agreed to allocate 100 percent Section 8 substantial rehabilitation housing assistance payments to this development and is processing an application for HUD mortgage insurance. Each of the units will qualify for Section 8 housing assistance payments. HUD payment of Section 8 housing assistance payments will not begin for a unit until rehabilitation work has been completed on that unit and that unit has been certified for occupancy by HUD.

PRM expects that construction will start on this development in June 1982 and will be completed in 18 months. During construction PRM will be required to advance any construction period operating deficits and will keep any construction period surpluses. PRM will receive a management fee from rentals and concessionaires.

Prior to the time that work on all of the units is completed and such units are placed in service PRM expects to sell all of its limited partnership interest to private investors. If the limited partnership interest is not sold PRM will be required to maintain its investment and rely upon the distribution of qualified operating surpluses or refinancing of partnership assets to generate income or return of capital from this development.

No assurances can be given that the acquisition will be adequate to complete the work, or that the work will be completed before the financing commitments expire. In addition, no assurances can be given that PRM can raise the capital required to complete the financing.

CHP Associates II Ltd.

PRM is a general partner and owns a 49 percent limited partnership interest and Pyramidwest is a limited partner and owns 50 percent limited partnership interest in CHP Associates II, Ltd., an Illinois limited partnership. CHP Associates II, Ltd., is sole

beneficiary of an Illinois land trust which holds legal title to Lot 2 of California Health Park consisting of approximately 3.80 acres.

PRM had proposed to develop approximately 200 units of elderly and handicapped housing on this site. However, because of the condemnation proceedings of the Board of Governors on Lot 1, the commercial development that had been planned for Lot 1 will now be pursued on Lot 2 and the residential development planned for Lot 2 will be abandoned. Special zoning approval will be required to pursue this development.

No assurances can be given that government approvals can be obtained, or that acceptable financing can be arranged, or that PRM can raise the necessary equity capital required to complete the financing. Further, no assurances can be given that, if financed and developed, the development can be operated on a basis that will produce sufficient income to cover operating expenses, service the mortgage debt or produce a profit.

Health Care Developments

California Healthcare, Inc.

California Healthcare, Inc. (CHI), a wholly owned subsidiary of Pyramidwest, was organized in 1975 to develop and operate health care facilities on the 23 acre site designated as California Health Park. CHI is in the business of developing and operating health care facilities in which Pyramidwest has made investments and expects to expand its activities to the development and operation of health care facilities owned primarily by others, for a fee, or, for a fee plus an equity interest. CHI employs 2 persons on its staff. One facility has been developed and is in operation. A second and third facility are being planned and permits and financing will be sought.

California Gardens Investors

CHI organized California Gardens Investors in 1975 to own and operate a 302 bed skilled nursing care facility as the first phase of development of California Health Park. CHI is the general partner and owns a 1 percent partnership interest and Pyramidwest is a limited partner and owns a remaining 99 percent limited partnership interest.

An agreement was entered into with Morton J. Gelberd who is the Administrator of California Gardens. The agreement provided for the transfer of a portion of Pyramidwest's limited partnership interest to an escrow account for the benefit of Mr. Gelberd and Pyramidwest. In exchange for this transfer, Mr. Gelberd has executed and delivered a promissory note

in the principal amount of \$126,497 due April 1, 1981 and bearing interest at an annual rate of 6 percent. Certain profit based performance incentive provisions of the agreement, which would have resulted in a partial or a total forgiveness of the note, were not met and Mr. Gelberd has elected not to pay the note, the limited partnership interest has been returned to Pyramidwest. On June 30, 1981 CHI entered into an agreement to sell California Gardens to private investors.

California Gardens Investors generated \$1,351,879 or 42 percent of the consolidated revenues of Pyramidwest for the six months ended December 31, 1980 and suffered accrual basis losses of \$234,100. California Gardens derived approximately 95 percent of its revenues under the State of Illinois Medicaid program during the six months ending December 31, 1980. Reimbursements under this program are based on costs, as defined, of rendering service to program beneficiaries. The determination of costs requires interpretation of the applicable laws and regulations and the application of complex accounting techniques. Such determinations are subject to review and adjustment by the federal and state reimbursement program administrators.

No assurance can be given that California Gardens will be able to sustain its operations under the restrictions and time delays imposed by government regulators and reimbursement sources, or, that, if the facility does sustain operations, that such operations will continue to comply with standard government regulations. No assurances can be given that the agreement to sell the limited partnership interests will be consummated.

Further, no assurances can be given that California Gardens can produce sufficient revenues or sufficient proceeds from a sale to enable Pyramidwest and CHI to realize their investments in it.

Other Proposed Health Facility Investments

CHI is presently studying the possibility of investing in other health care programs including one 100-bed nursing home to be owned and operated by Cal Care I Investors for individuals in need of long term care for the developmentally disabled. A third investment under consideration includes a group medical practice facility. No assurances can be given that these developments can be financed, and, if financed, that they can be operated at a level sufficient to pay the costs of operation and to service their respective debts.

Community Bank of Lawndale

The Community Bank of Lawndale opened for business on June 20, 1977 with an initial capitalization of \$2,000,000. Pyramidwest purchased 90 percent of the capital stock for \$1,800,000. The remaining 10 percent of the capital stock was purchased by organizers and directors of the bank. One organizer and director is the President of Pyramidwest. Subsequent to opening for business the bank reimbursed Pyramidwest for advances, consisting of net preopening expenses and for leasehold improvements and furniture and equipment expenditures.

The bank offers commercial banking services to a primary market area in the city of Chicago which includes the communities of North Lawndale, East Garfield Park, West Garfield Park, South Austin, South Lawndale and portions of the Near West Side. As of June 30, 1981 total deposits in the bank were \$11,379,643.

Bank depositors include area small businesses, institutions, agencies and individuals owning more than 3,500 accounts. Twenty-nine persons are employed by the bank. Revenues of \$819,518 were generated by the bank for the six months ended December 31, 1980, constituting 25 percent of the consolidated revenues of Pyramidwest. Among the services offered by the bank are: demand deposit accounts, time deposit accounts, commercial loans, real estate loans and consumer loans.

The bank expects to occupy permanent quarters as a tenant in Lawndale Towers, which is expected to be ready for occupancy in 1982. Pending relocation, no assurances can be made that the bank's operations will be profitable, or that, after relocation, the bank will be able to purchase the equipment and supplies required to occupy new facilities, and pay the cost of occupancy and continue to realize a net profit from operations.

A Comprehensive Approach

Pyramidwest Development Corporation as a company is a well funded, ambitious community development corporation, accused by many of trying to do too many things on too large a scale.

Despite this, it is deeply committed to the overall redevelopment of the Lawndale area. The scope and scale of our redevelopment plans are much broader and more fundamental than those of any private community-based community development group anywhere in this country. What we propose to do is to build an area economy here in Lawndale. When one speaks of the existence of an economy, he refers to a

piece of geography where a large group of people engage in all of the productive, consumptive, social and spiritual activities that are common to our society. It is a place where people engage in work, commerce, recreation, religious, family and social activities. An economy provides opportunities to make a living at every occupation from the laborer to the entrepreneur who employs thousands of laborers. An economy produces many of the goods that it consumes and it uses many of the goods that it produces to purchase other goods to consume, or to purchase raw material for new production. An economy provides a full range of necessities and luxuries required for, or desired by, most of the people who live in the area served by it. It is a complete enough unit of economic activity that the labor force spends the money which it earns in the community for most of the things that it consumes and saves; things like housing, food, clothing, transportation, and investments. At the second state, the producers and retailers of the housing, food, clothing and transportation, from whom the labor force purchases these items, uses the profit or returns that they receive from the sale of these items to purchase the same items that they need or desire from others right there in the same area. Owners of the land and business persons who own the manufacturing plants and the commercial centers, and the service business that employ the labor force also purchase their consumptive items within the area. Furthermore, when laborers, retailers, producers, land-owners and business persons desire to save or engage in other financial activities they create and perform such transactions in financial institutions which are located in the same area. These institutions serve as the outlet or agency for transfers of funds between individuals and businesses, savings and investment by individuals and business, loans and mortgages for personal and business purposes and financial dealings with the outside world.

In essence, what the creation of a local economy includes is all of the elements of an economic system that a given geographic area can feasibly create and has the demonstrated capability to trade or exchange for those things that the area does not produce itself. In addition, an area has an economy if the money produced in it is enough to provide for the needs and desires of its inhabitants—and that money is expended by those inhabitants between and among themselves; time and time and time again before it goes out of the area.

Of course, in this day and time, it is impossible for any area to claim that a piece of geography in a city, state, region, or even a nation can be an independent economy because there is mutual interdependence not only among various cities, regions and nations but throughout the world as a whole. The best that we can expect to do is to become limited producers of goods and services that have some economic value to other areas: that is capable of generating enough income from the production of such goods and services to financially support the inhabitants of his community. This is economic and community development.

Policy Recommendations

In general, the national economic climate has not been kind to community development organizations; just as they got geared up to undertake multiple housing and economic development projects, the economy turned sour. To stay in business when the construction industry was severely curtailed, consumers sales were way down, and competition was keener; it was hard even for experienced business persons. For community businesses it is a life and death struggle. Obtaining capital to start new businesses was an even more discouraging affair. The federal government should develop and initiate policies which make private industry in communities like Lawndale more attractive by providing tax incentives, etc. . . .

Another hazard for all community development groups is government regulation and the extensive layers of bureaucratic approvals. One government agency's regulations or grant conditions may come into direct conflict with another agency's, and approval of both may be required for the same project. This happened to Pyramidwest with respect to ownership of the Community Bank of Lawndale and it almost scuttled the whole effort. CSA sought to impose ownership restrictions that were in conflict with bank regulatory policy. Fortunately, the Appeals Court decision has laid all this to rest. In 1969 this community development groups was not experienced enough in dealing with various government agencies to anticipate all these wrinkles; now it is wiser.

The federal government should develop policies which seek to provide relief from the extensive layers of bureaucratic approvals required for community organizations to compete in the traditional market place, or provide adequate technical assistance programs to facilitate business development.

The Judge Austin Decision requires that for every one unit the Chicago Housing Authority leases in a

community which is 1/3 minority, an additional three units will have to be leased in a community which has a no restrictive housing policy. This probably is the classic example of a good cause converted to a bad effect.

Originally community groups sought the protection from urban renewal (gentrification) projects which had seen either the complete dismantling of a community and the wholesale removal of its residents or replacement projects that fell in one of two categories, luxury high rise apartments or the dreaded high rise ghettos called "projects."

Having seen Chicago's trends regarding these issues, the west side organized to prevent a reoccurrence of what happened on the south side. Three major events happened as the result of the organized effort:

1. Community groups in conjunction with the American Civil Liberties Union (ACLU) filed a suit in the federal courts which resulted in the Judge Austin Decision.

2. A major experimental project was embarked upon to see whether a large scale scattered site housing rehab project would be successful in the inner-city, which resulted in the Douglas Lawndale Project containing 525 units.

3. Because of the threat of public housing being constructed in restrictive (white) neighborhoods and the implied immigration of minorities into those areas, public housing projects became virtually non-existent in both white and minority communities because of the Judge Austin Decision.

The only avenue by which a community group can develop a publicly funded guaranteed project is to submit to a long complicated and expensive exception process whereby the court declares that a particular project is an exception to the Austin ruling. In terms of policy formation there is probably no more important than the amendment or repeal of the Judge Austin Decision.

Housing Problems of Hispanics in Chicago

by Mario Lopez, Executive Director, Community Housing Education Corporation

While it must be acknowledged that housing, an integral part of the social fabric such as politics, economics and culture, it is the intention of this paper to point out housing problems being faced by a substantial part of the American public: Hispanic Americans or as many of us prefer to be called, LATINOS.

It is also the intention of this paper to point out possible methods of addressing the housing problems faced by Latinos, based upon the experiences derived from the work of the Community Housing Education Corporation (CHEC). The bulk of the recommendations presented herein should be viewed as interim and short-term solutions aimed at relieving the immediate daily housing crises being faced by countless Latino families, and not as permanent lasting solutions, for it is not until Latinos obtain substantial decent employment and develop strong economic and political bases that the housing problems for Latinos can truly be resolved.

With the advent of federal budget cutbacks, resulting in the drastic reduction and/or total elimination of housing subsidies, rehabilitation training programs and other much-needed social services, the ability of Latinos and other low income residents of Chicago to obtain decent affordable housing will be seriously impaired. The dream of "a decent home for every American" as envisioned by the 1974 Housing Act, for Latinos in this country will become nothing more than a dream.

Thus it is extremely important at this time to call attention to the growing housing crisis being faced by low and moderate income residents across this nation, but even more so, by Hispanic Americans, many of whom are at the bottom of the socio-economic and political scale, far below all other minority groups.

This paper will attempt to address some of the problems encountered by Latinos in the area of housing as well as to point out possible methods of addressing these problems, using the experience gained from the work of the Community Housing Education Corporation of Chicago.

CHEC Activities

Incorporated in 1974 as an attempt to address the housing and youth employment needs of the predomi-

nantly Spanish-speaking Puerto Rican community of West Town/Humboldt Park on Chicago's Near North Side, the Community Housing Education Corporation, better known as CHEC, has developed into one of the largest Latino neighborhood development corporations in the city of Chicago.

CHEC's programs have been traditionally developed through the direct involvement of local area residents who are the direct beneficiaries of such programs. Perhaps it is this element of local neighborhood control, citizen participation and grass-roots planning that has most distinguished the work of CHEC from that of other development entities which totally disregard a neighborhood's hopes, dreams and wishes and attempt to implement elaborate plans created behind the closed doors of some government or private agency's board room.

It has been CHEC's experience that such neighborhood development, devoid of neighborhood resident participation and control, almost always results in the massive displacement of existing neighborhood residents as a more affluent higher income "gentry" takes the place of the former moderate and low income residents.

In October of 1979, as a result of the need to impact upon an increase in gang activity and violence at that time in the East Humboldt Park neighborhood, a 32-square-block area bounded by North, California and Western avenues and Division street, CHEC initiated a program of rehab employment training in which local neighborhood youths identified by neighborhood residents, received training in the rehabilitation of housing in their neighborhood, as an alternative to street gang involvement, juvenile delinquency and crime.

The program, known as the East Humboldt Park Rehab Employment Training Program was initiated under contracts with the Department of Human Services of the City of Chicago and subsequently was transferred to the city Department of Housing. Under the program, unemployed neighborhood youth, mostly high school drop-outs and many involved in juvenile delinquency and street gangs, received training in the actual rehabilitation of housing including carpentry, electrical work, plumbing, drywall and plastering, masonry work, roofing, floor finishing and other rehab skills, under the supervision of CHEC's construction personnel and licensed contractors.

CHEC's experience in rehab training, in addition to addressing youth unemployment (55 percent for Puerto Rican youths between the ages of 18-25), juvenile

delinquency (several months before the program's initiation, there had been a rash of gang related deaths in some 30 shooting incidents) and the high school drop-out rate (75 percent of Latino youths in Chicago do not finish high school), served to point out that with the involvement of neighborhood residents and personnel sensitive to the reality and needs of "problematic" youths, it was possible to involve these young people in constructive activities that would enhance their employment and educational opportunities.

Despite substantial funding from the Community Development Block Grant Program of the Department of Housing and Urban Development for construction supervisors, rehab materials and equipment, contractual services and administrative personnel as well as the CETA VI Program of the Department of Labor for the salaries of the trainees, fringe benefits, general liability and workmen's compensation insurance, the program faced continual funding problems since funds for such necessary costs as acquisition, back taxes, property insurance, utilities, counselling and job placement as well as general operating expenses were not provided by the funding contracts.

Nevertheless, the East Humboldt Park Rehab Employment Training Program resulted in such successes as the promotion of nine trainees to construction supervisory personnel, salary increases from \$7,800 per year to \$15,000 per year, the placement of trainees in professional union construction, outside employment and continuing education, the complete renovation and subsequent sale of a three-story brick structure at 2524 West Thomas Street and the development of a low interest (10 percent) mortgage loan program for the acquisition of homes by residents of East Humboldt Park, known as the East Humboldt Park Mortgage Loan Program.

At present, efforts are underway to obtain funding for the salaries of the trainees in order to continue the Rehab Employment Training Program. With the elimination of CETA VI funding, trainee salaries will have to be procured from private sources. In the meantime, CHEC is about to initiate a new venture in which construction will be done by professional Latino and minority contractors that will hire CHEC's former trainees. It is anticipated that this new program will produce a greater number of units within a relatively short period of time and thus attempt to better meet the tremendous need for decent affordable housing units in the East Humboldt Park neighborhood.

The East Humboldt Park Mortgage Loan Program is a cooperative effort between neighborhood residents, the State of Illinois Treasurer's Office, Pioneer Bank and Trust and the city of Chicago Department of Housing. Under this program, the State Treasurer deposits funds at Pioneer Bank at a lower than market interest rate and the bank in turn provides low interest mortgage loans. This program is another effort to stabilize the East Humboldt Park neighborhood. By providing a financing mechanism that facilitates the acquisition of existing housing, area residents can now become owner occupants. As owner occupancy increases, it is anticipated that better maintenance, greater owner involvement and more rehabilitation will result in a general improvement of the area.

CHEC's role in the program, after having created it and negotiated agreements with all parties involved, is one of overall coordination and marketing. Clients interested in acquiring a home are counselled by the Spanish Coalition for Housing, a HUD certified housing counselling agency, and are then assisted in finding a property by CHEC's staff. In addition, clients are also provided with a no-cost inspection of the properties that they visit. Property visits are arranged by CHEC staff who also conduct the inspections and complete an inspection report indicating to the client the condition of the property, rehabilitation needed and an estimate of the cost of such rehabilitation.

The role of the Department of Housing is that of providing no-interest deferred loans for a portion of the cost of rehabilitation to persons who acquire a property under the program. The amount of his second loan is dependent upon a person's income and family size and is repayable to the city only in the event the person decides to sell, transfer or move from the property.

Although CHEC itself is not directly involved in the provision of housing counselling (this service, as previously mentioned, is provided by the Spanish Coalition for Housing whose service area includes the West Town Humboldt Park community), our experience has been that such services as pre-purchase counselling and default counselling are extremely necessary and valuable for Spanish-speaking persons, since the average individual (Spanish-speaking or not) knows very little of the complexities of buying and owning a home.

Another area of activity of CHEC, has been the provision of technical assistance and housing services to community residents. These services and technical

assistance range from an explanation of the municipal building codes; property inspections to determine building conditions and feasibility of rehabilitation; referrals to contractors and architects; explanation of landlord/tenant rights and responsibilities; assistance in the purchasing of materials and equipment and advice on proper construction methods.

Other CHEC activities include the conducting of workshops, discussions, forums and seminars on building maintenance, energy conservation and other housing related topics, as well as the rental, management and maintenance of housing units for low and moderate income area residents.

Although limited in scope due to staffing limitations, we find that these services are extremely necessary for the predominantly Spanish-speaking community that we serve. One visit to housing court on the 14th floor of Chicago's Daley Center will point out the tremendous number of persons who are not aware of even their basic rights and responsibilities and thus become victims of unscrupulous landlords and real estate agents. For Latinos, the problem is greatly exacerbated due to the fact that Spanish-speaking persons often have difficulty in reading and understanding apartment leases, sales contracts, eviction notices and court summonses, all of which are almost always in English.

Many property owners when receiving a court summons (with a seemingly undecipherable violation sheet listing only municipal building code numbers) have little or no way of understanding what they are being charged with before appearing in court. By contacting CHEC, our bilingual staff can give the property owner an understandable interpretation and refer him/her to a reputable architect and contractor that can be of assistance in order to comply with the building codes.

In a day and age of modern conveniences and accessibility of such commodities as television, telephones and others, it is difficult to believe the fact that many of Chicago's residents live in extremely substandard housing. This is especially true of many Latinos who, because of their undocumented status and thus fear of possible deportation, become victims of some of the worst housing abuses. It is quite common for our office to receive requests for our intervention because a landlord refuses to exterminate, or because the only washroom facility a family might have is a hole in their washroom floor because the owner has been promising to replace the water closet, or because a tenant has to set buckets and containers under roof

leaks every time it rains because the landlord refuses to repair the roof. Our experience has pointed out that there is a great need to conduct massive educational campaigns through the printed as well as electronic media so that more Latinos can be aware of their basic rights and steps they can take to protect those rights. Again, as federal funding cutbacks reduce or perhaps totally eliminate legal assistance centers for low income residents it will be necessary for such agencies as the State's Attorney Criminal Housing Management personnel and the Department of Inspectional Services to take strong measures to insure that the health, safety and welfare of all residents of Chicago is safeguarded.

Another problem we find that occurs frequently in the Latino community is the lack of knowledge of construction materials, methods and techniques (and again, the municipal building codes) on the part of "do-it-yourself" handymen who, although they may have some experience in construction in Mexico, Puerto Rico or some other Latin American country, are not aware of the fact that climate and other conditions in this country affect the way in which construction is carried out.

We have found countless instances where, in an effort to contain costs by performing their own labor ("sweat equity"), these Latino handymen often have to re-do their work and thus in the long run end up spending more money either because they failed to obtain a permit where necessary in order to perform repairs and the city's inspectors ordered that necessary permits be obtained, or because improper methods and materials were utilized. This basic knowledge of construction on the part of handymen can, on the otherhand, be a valuable asset in addressing the rehabilitation needs of the Latino community, of course, with the proper supervision, orientation and training. An excellent example is that of several of CHEC's construction supervisory personnel, some of whom started out as trainees with some experience in Puerto Rico and have gradually become extremely proficient.

Many Spanish-speaking clients serviced by CHEC, routinely complain of the fact that when going to such places as the Department of Inspectional Services, the Cook county Assessor's Office, the Circuit Court (housing) and other places, there are few signs or directions either in English or Spanish, explaining certain basic procedures and the location of certain department sections. We feel it would be extremely beneficial to have such information clearly posted in

Spanish and English with leaflets or brochures that explain the various forms used which appear in English. A good example of this is the bilingual "bond" sheet that a person signs and receives when arrested and subsequently posts bond in the Circuit Court system.

It has been CHEC's experience that while there are many community organizations, agencies and groups in the various Latino neighborhoods, some with long track records and others relatively new, providing various types of important social services in areas of welfare, employment, education and others, few if any of these organizations and groups have ventured into initiating housing activities.

Through public speaking engagements and workshops, CHEC has been encouraging other Latino groups in other neighborhoods to begin assessing the feasibility of implementing housing activities as part of their programs. Such activities can range anywhere from distributing public information on the rights and responsibilities of tenants and landlords, initiating negotiations with local banks and savings and loan associations, housing counselling, and referral services to full scale neighborhood development, including housing rehabilitation and new construction.

It is worthwhile to note here that CHEC has received significant technical assistance from the Chicago Rehab Network, an organization composed of various neighborhood based community development groups from various Chicago neighborhoods such as Uptown, South Shore, Kenwood-Oakland, South Austin, Garfield Park, West Town/Humboldt Park and others. The Network, in addition to serving as an important information sharing vehicle, has also been able to provide assistance that includes architectural services, feasibility assessments, financial packaging, property inspections and other services to its member organizations and constituencies.

It is unfortunate that despite the valuable assistance provided by the Chicago Rehab Network, the city of Chicago (which has provided Community Development Block Grant funds) has not given priority to funding of the Network's technical assistance programs. Thus an entity which could provide valuable services to assist neighborhood development efforts in other Latino communities, may not continue to exist unless adequate funding support is obtained from public and private sources.

Austerity and The Need for Additional Services

With the reduction of federal housing subsidies and financial assistance it will be necessary for Latinos to explore and initiate other ventures to produce decent affordable housing. One such possible avenue is the development of low-equity condominium and/or cooperative housing. Here again, with proper supervision by qualified licensed contractors and supervisors as well as technical assistance, the talents of local residents (who will subsequently occupy these units) can be utilized in such areas as security, demolition, painting and finishing work and others to reduce project costs considerably and thus make the units affordable.

This will of course, require the development of incentives for private corporations, individuals and financial institutions in order to finance such projects. We find that a potential source of such funding can be the state's investment portfolio which is quite substantial. Despite the large amount of funds involved by the sale of tax exempt bonds, the State Housing Authority has not demonstrated the ability to substantially address the housing needs of low income Latinos and other minorities. Specifically, it should be noted that in the case of Illinois, the Illinois Housing Development Authority does not provide the public with much information that it is required to do so by law. Section 305 of the Illinois Revised Statutes, requires the Illinois Housing Development Authority (IHDA) to annually file a written report with the governor that includes a complete list of:

1. Applications to IHDA for mortgage loans and other financial assistance.
2. Projected activities for the following fiscal year.
3. Developments financed by IHDA, the owners of such developments and the amount of financial assistance for each IHDA financed project.
4. Distribution of dwelling units and a rent structure estimate for each development financed during a fiscal year.

A review of the 1980 IHDA Annual Report indicates that there is no list of applications for mortgages or other financial assistance, no names of the owners of developments financed by IHDA, no estimated rent structures and no dwelling unit distribution for family dwelling projects in the Annual Report. Without greater public access to the data on IHDA's activities, the public is unable to evaluate IPDA's performance and hold IHDA accountable to its legislated purposes. Thus there is a need for a state housing agency that is sensitive to neighborhood based

housing development that can promote affordable housing for low income Latinos and other minorities.

It has been CHEC's experience that many Latino small property owners have been victims of unscrupulous contractors and repairmen. This is due in part, to the lack of English communication ability on the part of these Latino small property owners as well as to their lack of knowledge of legal or paralegal matters such as contracts, licensing, bonding, workmen's compensation requirements, and of course, a lack of basic knowledge of proper repair work. This continues to result in the literal loss of thousands of dollars by Latino homeowners who fail to obtain signed contracts to protect their interests, or who hire unqualified persons that fail to perform repairs agreed upon. Often these homeowners find that after agreeing on a certain fee, they are charged a much higher fee by the repairmen because there was never a written contract. Since cost is a very important factor to the low and moderate income Latino property owner, almost always he/she will make a decision to hire a repairperson based solely upon the lowest cost estimate quoted. While it may be possible for a legitimate qualified contractor to make an extraordinarily low bid on a job due to having materials left from prior jobs or due to the necessity to obtain work and still perform a satisfactory job, this is not always the case. Thus without a basic knowledge of reasonable cost estimates for repair work, the low and moderate income Latino property owner is left at the mercy of almost any individual who comes along and states that he can perform certain repair work at a certain cost.

A short-term method of addressing this problem is the provision of referral services in which property owners can be referred to legitimate, qualified and reputable contractors and repair persons. As an organization involved in providing such services on a limited scale, CHEC encourages other Latino organizations to share such information and initiate similar activities so that a broader constituency can benefit.

Perhaps a more effective method of addressing this problem on a long-term basis is the creation of community based, for-profit construction companies. Such models, already being pursued by other community organizations (for example, 18th Street Development Corporation in the Pilsen Area and the Bickerdike Redevelopment Corporation in the West Town community), not only serve to provide qualified contractor services for the neighborhood, but because of their accountability to the neighborhood (through the shareholders and Board of Directors) have a great

degree of sensitivity to the problems faced by Latinos and serve to provide additional employment opportunities for local Latino youths and adults. Another benefit of such ventures, can be the use of the construction company's profits to sustain its non-profit "parent" organization and thus enable it to continue providing valuable services and organizational activities in spite of funding cutbacks.

With the recent emphasis on energy conservation and the availability of tax credits, weatherization programs and other energy conservation incentives, there is a potential problem of additional displacement of low and moderate income Latino families through such programs. Due to the lack of strict guidelines, screening and other precautionary measures, unscrupulous slum landlords can use low and moderate income families to apply for, and receive financial assistance (since funds are usually available to property owners that rent to low and moderate income persons) for weatherization repairs, make the repairs and then raise the rents to evict the low and moderate income families that enabled them to receive the assistance in the first place. Thus what apparently started out as a well-motivated effort on the part of the public sector, can be turned into a for-profit situation that subsidizes slum landlords.

In addition to the lack of neighborhood stability, due in part, to the low number of Latino owner occupants, we find that community improvement efforts to assist low and moderate income Latino families are also hampered by the lack of stability of Latino community organizations that provide valuable services and conduct worthy activities. These organizations, almost all of a non-profit status, experience great difficulty in maintaining a continuity of services and activities due to their limited funding base. Many of them, as funding fluctuates, are forced to continually relocate and/or reduce services in order to afford occupancy costs.

With the existence of a substantial number of abandoned properties owned by HUD or private owners with accumulated back-taxes, it would be extremely beneficial for HUD or the County Assessor to encourage and facilitate the acquisition of such properties by Latino neighborhood improvement organizations for the purpose of rehabilitating and subsequently converting them for use as community service centers and or mixed use residential/community service facilities. The community organizations could thus acquire greater stability by owning property they

can occupy and subsequently use to finance other neighborhood improvement ventures and activities.

The role of the media in addressing the housing problems of Latinos has, in our estimation, been greatly underutilized. Public response has always been overwhelming when CHEC staff have been interviewed on radio and television programs. Much greater use of radio, television, newspapers, magazines and other media is needed to promote a widespread awareness of landlord/tenant rights and responsibilities, precautions against unscrupulous contractors, energy conservation measures, and other housing topics. The same holds true for other facilities frequented by the public such as the United States Post Office, the Daley Civic Center, other municipal, county and state offices, the public transportation system, shopping malls and supermarkets, all of which should be utilized to display and disseminate important housing related public service information in Spanish and English.

With recent anti-tenant rights legislation and activities that adversely affect Latinos and other low income residents, it will become increasingly important for Latino tenants and Latino owners of small properties to become more organized and conduct widespread activities aimed at preserving their rights and protecting their interests. Such organizational efforts could include establishment of local, city-wide, county-wide and regional tenant councils and property owner associations.

Another housing problem faced by Latinos, is the lack of Latino housing professionals. It is a well-known fact that traditionally the various major construction trades have made it very difficult for Latinos and other minority groups to become carpenters, plumbers, electricians and other trade union journeymen. It is important to note that several community organizations (such as the 18th Street Development (Corporation) have recently developed working relationships with the carpenters union to prepare Latino union journeymen. It is hoped that other unions will follow this example of a worthy effort so that more Latinos can enter the building trades.

There is a similar need for other housing professionals such as construction supervisors, mortgage financiers, appraisers, construction managers, architects, contractors, cost estimators and specifications writers, urban planners, construction specialists and others. To alleviate this problem, it is important that community organizations, educational agencies and institutions

encourage and orient Latino youths not only at the high school level, but beginning at the elementary school level, so that these youth can become interested in entering the various housing professions. The various colleges and universities should intensify their efforts so that more Latinos can pursue housing careers.

It is equally important for colleges and universities to modify and expand their existing curricula in such fields as architecture and urban sciences in order to better address the housing needs of Latinos and other low and moderate income communities. Traditionally, architecture and urban science students receive an orientation that teaches them to address a more affluent middle and upper income, non-minority clientele from areas such as Wilmette, Evanston, Skokie, Lincoln Park and other more well-to-do communities. Thus while these architecture and urban science students may become very well versed in developing high-rise condominiums along Chicago's lakefront, or planning a shopping mall in Oak Brook, or designing a new church in Oak Park, they learn little or nothing about tenants without heat in their apartments in Uptown, or about substandard living conditions in slums in Chicago's not so well-to-do neighborhoods, or displacement of Latino families in Humboldt Park, or of persons discriminated against when attempting to rent an apartment in Wicker Park because they gave a Spanish surname when inquiring about the apartment's availability.

Another problem contributing to the lack of stability, abandonment, deterioration and the subsequent frustration and sense of hopelessness on the part of area residents in Latino and other low and moderate income neighborhoods, is the fact that these neighborhoods almost always receive far less and more inferior municipal services such as sidewalk repairs, street lighting, refuse pick-up, street cleaning and removal of abandoned automobiles than other more affluent communities. It is not difficult to understand how Latinos and other residents of neighborhoods like Humboldt Park, Pilsen and other low income areas, when having to live day after day facing conditions of unemployment, street gang activity, lack of essential municipal services, abandoned buildings, arson, deterioration of the housing stock due to the high degree of absentee owners (many who are outright slumlords), arson and other signs of visible neglect, eventually begin to lose their sense of permanency and identification with their community and with hopes of perhaps finding better conditions in other areas (which

ironically becomes nothing more than just hope since they learn conditions are almost exactly the same in every low income neighborhood), become the victims of displacement as they are moved from neighborhood-to-neighborhood.

Contributing to this visible neglect of neighborhoods is the lack of promotion and publicly funded support for neighborhood art and esthetic improvements that address the cultural identity, realities, problems and needs of the Latino community. Neighborhood art can be extremely useful in promoting community pride, a sense of neighborhood identity and permanency and overall neighborhood stability. Local Latino artists have attempted to address this problem with great difficulties due to very limited resources but nevertheless have produced neighborhood murals and sculpture with the involvement of local residents (and quite often providing training for neighborhood youths under summer jobs programs) in the process.

Another area in which we find that Latinos face a housing problem, based on surveys to determine the services and fee structures of professional property management firms, is the lack of professional Latino property management firms. Thus, we find a substantial number of large multi-family properties in the Latino community that are managed by insensitive and oftentimes unscrupulous agents who do not have Spanish-speaking personnel to serve a predominantly Spanish-speaking tenant population. Our office routinely receives complaints of such property management agents who defraud tenants out of their security deposits, or who attempt to lock tenants out of their apartments or illegally cut off utilities or enter tenants' apartments without the tenant's permission, or who attempt to evict tenants without due legal process.

Our experience has shown that these abuses are not limited to non-Latino property owners. Quite the contrary, in many instances we have learned of Latino owners of multi-family buildings who refuse to give rent receipts to their tenants, or who refuse to give the written 30-day notification required in order to increase rents simply threatening their tenants if they do not pay up.

The development of professional Latino property management firms that could better service a Spanish-speaking clientele could help to alleviate some of the problems faced by Latino tenants and could also help to provide additional job opportunities for Latinos in such areas as security, maintenance engineering, management and administration. Other possible ser-

vices that could be provided by such Latino professional management firms could be the screening of tenants and landlords in order to match up responsible tenants with responsible landlords and advise both of their rights and responsibilities. We recognize however, that in the long run, the only real way to create neighborhood stability is through an increase in the degree of owner occupants. However, since home ownership is not always an option in certain instances because of a person's age or circumstances, the development of a professional Latino management firm could definitely address the needs of Latinos that were not able to or chose not to become homeowners.

As long as Latinos are not directly involved in key policy-making and decision-making positions of entities that directly and indirectly affect the Latino community in the public and private sectors, it can be anticipated that few, if any, major positive changes can, or will result that will address the housing and other needs of low and moderate income Latino families. As long as Latinos are not involved in top management and policymaking roles in banks, savings and loans, insurance companies, government (at all levels), private corporations, business and professional institutions, Latinos will continue to experience redlining, disinvestment in the neighborhoods, high unemployment, lack of decent affordable housing, lack of quality education and the existence of the type of development opposed by CHEC: development that results in the displacement of low and moderate income families in the Latino and other communities.

Despite the various areas of activity of CHEC, we have found that the needs of the West Town/Humboldt Park Community are so great that there is enough room for many community housing education corporations. It is estimated that it would take 100 million dollars to address the housing needs of each of Chicago's communities. Thus we can see that now, more than ever, there is a need to make more efficient use of existing resources, as well as to develop innovative approaches to address the housing crisis faced by Latinos and other low-income people in Chicago and across the country.

Finally, as the low-income housing gap increases (Chicago has experienced the net loss of some 55,000 dwelling units from 1970 to 1979), it will become increasingly important for Latinos to be able to put aside any organizational and/or ethnic rivalries so that Puerto Ricans, Chicanos, Mexicans and all Latinos can work together to prevent their further displacement from neighborhood to neighborhood.

The true danger to displacement and the lack of decent affordable housing is the resulting dispersal of Latinos. This dispersal has a crippling effect upon the ability of Latinos to develop a strong organizational and political base that will ultimately be one of the few if not the most effective means of addressing the housing needs of Latinos.

Specific Recommendations to Address the Housing Problems of Latinos

1. Fostering of more programs such as rehab employment training to address the housing and employment needs of Latinos. Funding should be set aside for such projects in low-income Latino neighborhoods by government agencies, private foundations and corporations.

2. Development of additional financing mechanisms such as the East Humboldt Park Rehab Employment Training Program, to provide low interest loans for acquisition and rehabilitation. With the anticipation of the city of Chicago's Mortgage Bond Program, it is hoped that financial institutions, neighborhood organizations and the city will be able to work together to assure that communities with the greatest need receive adequate allocations of funding for these low interest loans. Since funds from HUD's Community Development Block Grant Program are to be utilized, it will be especially important for HUD to actively monitor the use of such funds to assure that the needs of Latinos and other low-income residents are being adequately addressed.

3. Widespread educational awareness campaigns to inform Spanish-speaking residents of their basic rights in the area of housing. Such information should be available outside of each housing courtroom and distributed on a mass basis with the cooperation of the city, county and other government agencies with Latino community organizations. Greater access to the television media should be made available as a public service to viewers.

4. Fostering of additional housing counselling programs to inform Spanish-speaking persons of the responsibilities and procedures of purchasing and owning a home as well as to prevent default and subsequent abandonment of additional housing.

5. Greater monitoring and more expedient enforcement of applicable municipal, county and state laws to assure that the life, safety, health and welfare of Spanish-speaking and all residents is protected.

6. Employment of sufficient bilingual personnel in city, county and state governmental agencies in direct

service and policy making roles to insure that resources and programs are implemented to meet the needs of Latinos and that Spanish-speaking residents can communicate housing complaints. This should also be true of other quasi-governmental and private agencies such as the Bar Associations, the State Housing Agency and others.

7. Development and use of graphics and signs in Spanish and English at municipal, county, state and federal offices to inform and direct the public on such things as the location and functions of certain offices, court procedures, property tax assessments and other important public service information.

8. Requiring of the use of bilingual (Spanish/English) legal forms such as apartment leases, eviction notices, court summonses, and building code violation notices.

9. Greater monitoring of contractors and repair persons in the Latino community and the establishment of telephone "hotlines" where Spanish-speaking persons can call to receive assistance in recovering monies taken by unscrupulous individuals.

10. Widespread ongoing housing workshops by public agencies in cooperation with neighborhood groups in the Latino community to inform residents about housing related topics such as proper repair and maintenance procedures, energy conservation, hiring of qualified contractors and repair persons, and landlord/tenant rights and responsibilities.

11. Reorganization of the State Housing Agency to assure that decent affordable housing is developed for the Latino and other low and moderate income communities without displacement of existing residents.

12. Greater monitoring of, and establishment of stringent guidelines and/or screening procedures for weatherization programs and other energy conservation financial assistance programs to assure that public monies available through these programs are not used to subsidize slum landlords or displace existing low and moderate income Latino and other families.

13. Assistance to neighborhood organizations to acquire rehabable abandoned properties for the purpose of rehabilitating them and converting them for use as community service centers and/or mixed use residential/service centers.

14. Greater use of the media and facilities frequented by the public, such as the United States Post Office, banks, savings and loans and title companies, supermarkets and shopping malls, public as well as private schools to promote widespread awareness of

landlord/tenant rights and responsibilities, precautions against unscrupulous contractors, energy conservation and other important public service housing information, as a means of addressing the housing problems of Latinos and other low and moderate income residents.

15. Increase in organizational activities by community groups, agencies and groups as well as informal organizations such as block clubs, church auxiliaries, parents clubs and others to promote greater awareness of housing problems faced by Latinos and other low income residents and to initiate projects to actively promote and defend the interests of the tenants and small landlords.

16. Development of professional Latino property management firms to manage properties with a substantial Latino tenant population and provide screening services for tenants and landlords as well as to provide employment to local residents and public services such as workshops, forums, seminars and discussions for tenants and landlords.

17. Increased public sector financial support for neighborhood improvement and beautification activities in low-income Latino neighborhoods so as to promote greater esthetic appeal as well as a sense of permanency, identification with the neighborhood, community pride and permanency by involving local area residents in the development and planning of such activities and giving priority to projects that promote the culture of the existing residents.

18. Modification of the existing curricula of educational institutions providing academic programs in architecture and urban sciences to provide a more well-rounded experience for students in these professions. Such modifications should include courses, seminars, workshops, discussions and actual field experience to introduce and orient students to the housing problems faced by the various Latino and other low-income communities, actual rehab work being conducted in these community groups by

neighborhood based housing development organizations and methods of addressing the housing needs of such neighborhoods.

19. Greater involvement on the part of trade unions to encourage Latinos and other minorities to enter the various building trades through cooperative projects with neighborhood based development organizations to prepare apprentices and trade journeymen.

20. Improved municipal services to Latino and other-low income neighborhoods including street repairs, sewer repairs, lighting, street furniture, refuse pick-up, maintenance of empty lots, removal of abandoned automobiles and other services to enhance residents' identification with the neighborhood, promote community pride and contribute to greater neighborhood stability.

21. Increased student orientation and recruitment efforts on the part of educational institutions, educational agencies (public and private) and community groups to encourage Latinos to enter the principal and ancillary housing professions ranging from architecture, urban planning, construction management and specifications writing to mortgage financing, property insurance, property appraisal and other aspects of development.

22. Continued and increased financial support by the city of Chicago to the Chicago Rehab Network so as to enable Latino communities such as Pilsen and West Town/Humboldt Park to continue receiving technical assistance and services for neighborhood development activities that provide affordable housing for low and moderate income families. Increased financial support would enable other community organizations and neighborhood development groups in other Latino communities to initiate development activities to provide decent affordable housing for low-income Latino families in neighborhoods not presently being reached by the Network.

Financiers

The Real House Divided: Regulations that Divide Families

by Fidel L. Lopez, Director, Area Development Division, Continental Illinois National Bank and Trust Co.

Even though my participation in this conference has been placed in the segment titled "The Financiers," this paper will not deal with economics, banking regulations as they affect the involvement of financial institutions in providing urban housing, or other traditional concerns of the financial community regarding public housing. Rather, this paper intends to highlight the need for a reevaluation of public housing guidelines as they affect a more human, not financial, concern of socially responsible corporations: families, the basic unit of a stable society. While at first glance this may seem to be an unorthodox area of concern for the banking industry, it is still a very real one. For banking can serve most effectively and responsibly when it can serve a relatively stable, progressive community.

Public, or low-income, housing in Chicago reflects the non-integration of the United States' second largest city. The fires that consumed entire city blocks in the late 1960s riots could not melt the pattern of ethnic and racial territories, and in fact caused enough fear in the majority population that more than ten years later, Chicago remains and is recognized as America's "most segregated" urban area.

Chicago's response to the need for "a decent home in a suitable living environment for every American family" (a goal promulgated in 1949 by the federal

government) was typical for major cities at the time: concentrated high-density, high-rise developments. It now seems impossible to believe that those responsible for such developments could not see what the effects of concentrating so many needs and problems within such a small physical space would be. Whether they did or not, these developments have certainly not proved to be "decent homes in suitable living environments." The despair, crime and unemployment magnified in these settings led to Chicago's mayor taking up temporary residence in a public housing project. Political grandstanding or no, it was a most effective vehicle for dramatizing the failures of public housing in Chicago.

The relative scarcity of scattered-site public housing in Chicago, due primarily to local resident and aldermanic resistance (fueled by the expectation of lowered property values as a result of the housing), is a primary factor in Chicago's lack of progress. But rather than propose means to increase the amount of scattered-site neighborhood public housing, our concern here is for the regulations that tend to both perpetuate public housing residents' dependence and do harm to both nuclear and extended families. The following Table 1, showing demographic trends in Chicago Housing Authority projects for the decade of 1970-80 is of some interest.

The table shows that in the decade, the number of black families increased from 81 percent to 84 percent, white families decreased from 18 percent to 14 percent, and Hispanic families increased from 1 percent to 2 percent. Perhaps most significant from these figures is the proportionally small percentage of

Hispanic families, even though Hispanics comprise the largest and fastest-growing minority group in the metropolitan area. Part of the reason for the small percentage is, of course, that those Hispanic families most in need of subsidized or public housing are often in the U.S. illegally, and avoid involvement with any unit of government, if possible. But even those who are in this country legally apparently do not consider public housing as an alternative to older, unsafe housing or rent-gouging by unscrupulous landlords. It is my contention that regulations developed by housing authorities are often insensitive to cultural mores of our minority groups, be they Hispanic, Black or Oriental.

There are, for instance, certain guidelines regarding the age and sex of children allowed to share bedrooms in public housing developments. Oftentimes these regulations require that upon attainment of a certain age children must be segregated by sex in different bedrooms. As a result, families are forced to send sons or daughters to live with others in order to maintain their public housing unit. These families could, naturally, look for a larger unit to provide the separate bedrooms required, but these larger units are not available in the numbers necessary.

Other regulations tend to disband families by concerning themselves with the presence of a grandparent or other elderly family member. These too, are often forced to leave their families in public housing to live elsewhere due to insensitive and arbitrary regulations.

Lest the figures from the Chicago Housing Authority be thought of as exceptions, the same general pattern is evident in data from the Illinois Housing Development Authority as shown by the following Table 2.

Again, it is evident that the minority groups with a strong tradition of family structure in their respective culture tend not to use public housing in proportion to their percentage of the total population. This is not to say that the largest group using public housing is any less desirous of maintaining the unity of its family units; they are however, adversely affected by these regulations as almost any resident family can testify.

The new administration in Washington has made much of reducing the amount of government regulation in our citizens's lives. "Common sense" is preferred to provisions that seem to have been developed on a "worst case" scenario. It is this sense which I feel must be brought to bear on the regulations which have been imposed, through the years, on the residents of our public housing units. Therefore, I am calling for a thorough review of the regulations which affect families by every agency responsible for public housing. This review should include hearings held in the housing developments, and with leaders in the various minority communities, whether Black, Oriental or Latino.

As I stated at the beginning of this paper, these concerns are probably not those expected of someone scheduled as a "financier" at this conference. But that should not detract from the validity of the concerns expressed herein, nor should it really be surprising. As citizens, financiers are just as concerned with the problems confronting American society. Perhaps they are even a bit more concerned, as both they and the stockholders they represent have much to lose in a nation where everything possible is not done to encourage and support the family unit. It remains the basic cell of our national body, and is absolutely necessary for the spiritual, as well as the economic, health of our communities.

TABLE 1**Demographic Trends in Chicago Housing Authority Projects
Number of Families 1970-80**

Year	Total	Black	White	Hispanic	Other Races
Dec. 1970	38,685	31,436	6,806	365	78
Dec. 1971	39,665	32,308	6,878	393	86
Dec. 1972	40,128	32,647	6,962	428	91
Dec. 1973	40,134	32,868	6,727	448	91
Dec. 1974	39,830	32,685	6,591	459	95
June 1975	40,523	33,162	6,605	657	99
June 1976	41,140	33,884	6,493	664	99
June 1977	41,953	34,715	6,450	694	94
June 1978	43,829	36,330	6,685	709	105
Dec. 1979	44,353	37,133	6,371	742	107
Dec. 1980	44,946	37,894	6,195	746	111

TABLE 2**Illinois Housing Development Authority As of June 1981**

Area	Sites	Units	White	Black	Latino	Other
South of Stevenson Expressway	5	1,661	389	838	13	20
West of Chicago River	2	360	43	218	97	0
Near North	5	1,554	631	179	17	3
Lincoln Pk., Lakeview, Uptown, Edgewater	4	825	560	108	21	42

There are, for instance, certain guidelines regarding the age and sex of children allowed to share bedrooms in public housing developments. Oftentimes these regulations require that upon attainment of a certain age children must be segregated by sex in different bedrooms. As a result, families are forced to send sons or daughters to live with others in order to maintain their public housing unit. These families could, naturally, look for a larger unit to provide the separate bedrooms required, but these larger units are not available in the numbers necessary.

Other regulations tend to disband families by concerning themselves with the presence of a grandparent or other elderly family member. These too, are often forced to leave their families in public housing to live elsewhere due to insensitive and arbitrary regulations.

Lest the figures from the Chicago Housing Authority be thought of as exceptions, the same general pattern is evident in data from the Illinois Housing Development Authority as shown by the following Table 2.

Again, it is evident that the minority groups with a strong tradition of family structure in their respective culture tend not to use public housing in proportion to their percentage of the total population. This is not to say that the largest group using public housing is any less desirous of maintaining the unity of its family units; they are however, adversely affected by these regulations as almost any resident family can testify.

The new administration in Washington has made much of reducing the amount of government regulation in our citizens's lives. "Common sense" is preferred to provisions that seem to have been developed on a "worst case" scenario. It is this sense which I feel must be brought to bear on the regulations which have been imposed, through the years, on the residents of our public housing units. Therefore, I am calling for a thorough review of the regulations which affect families by every agency responsible for public housing. This review should include hearings held in the housing developments, and with leaders in the various minority communities, whether Black, Oriental or Latino.

As I stated at the beginning of this paper, these concerns are probably not those expected of someone scheduled as a "financier" at this conference. But that should not detract from the validity of the concerns expressed herein, nor should it really be surprising. As citizens, financiers are just as concerned with the problems confronting American society. Perhaps they are even a bit more concerned, as both they and the stockholders they represent have much to lose in a nation where everything possible is not done to encourage and support the family unit. It remains the basic cell of our national body, and is absolutely necessary for the spiritual, as well as the economic, health of our communities.

The Urban Property Tax And Minorities

by Arthur Lyons, School of Urban Planning and Policy, University of Illinois, Chicago

The topic of my paper—nonuniformities and the shifting burden of the urban property tax—may not, at first, seem related to the dual housing market, but it is. The property tax is one of the largest single costs of homeownership, and it often takes up to a third of monthly rental payments. There is evidence, however, that the tax is borne disproportionately by residents of predominantly minority neighborhoods, relative to residential taxpayers in other neighborhoods. In addition, the last decade or so has seen a general shift of the property tax burden from nonresidential to residential taxpayers. This further accentuates the impact of nonuniform tax burdens among users of residential property.

This paper will review some background about the property tax. It will then summarize the evidence that minority and lower income households tend to bear more than their share of the burden. Finally, four suggestions for improving the situation will be offered.

Property Tax Background

According to law, the assessed value of any individual property is supposed to be at the same fixed percentage of market value as every other property in the same use class. This fixed percentage is called the assessment ratio. For example, in Cook County all property in the use class comprised of 1-6-unit residential structures should be assessed at 16 percent of market value. Residential structures with more than six units should be assessed at a third of market value.

The sum of all the assessed values in a given taxing jurisdiction is that jurisdiction's tax base. The tax rate is determined by taking the amount of money its public officials want to raise from the property tax and dividing it by the base.

These procedures make the property tax unlike any other tax, in that every individual's tax burden depends on the level of everyone else's. In other words, if someone does not pay the sales, income, or any other non-property tax which he owes, there is no direct impact on the amount of taxes due from anyone else. But if someone avoids property taxes because of a disproportionately low assessment, there is a direct impact on everyone else's tax bills; and this is true whether the unusually low assessment is due simply to unintentional error or to conscious scheming. A simple example might help clarify the situation:

Suppose there are two homeowners in a jurisdiction, each with a home valued at \$50,000. Each is properly assessed at 16 percent, or \$8,000. Ignoring the multiplier, which is not relevant to this example, there will be a total assessed value of \$16,000 in the jurisdiction. If the government wants \$1,600 for its operations, the \$1,600 is divided by \$16,000, to obtain a tax rate of 10 percent, or one dollar per \$100 of assessed value. Each owner—with half the total market value and half the assessed value—pays \$800, or half the total tax bill. This is exactly as it should be.

Now suppose the first owner is underassessed by one fourth. This means her assessment is \$6,000, and the total assessed value is reduced to \$14,000. In order for the jurisdiction to raise the same \$1,600 from the property tax, the rate must jump to 11.43 percent. The first owner, the one with the lower assessment, now pays only \$686, while the other pays \$914. The difference between the two tax bills is 33 percent (\$228).

This example points up two important facts:

- 1) Although the total tax bill depends on the amount of money requested by government officials, the proportion of that request paid by each property owner depend directly on the assessments of all other owners.

- 2) It is *relative* assessments that matter, not the absolute levels of assessment. In our example, in other words, the second taxpayer was properly assessed according to law throughout, but he still paid much more than his fair share of the total taxes. If he were to obtain a 25 percent assessment reduction, matching the first taxpayer's reduction, both would be underassessed according to law; but the tax rate would go up, and each would again face identical bills of \$800. Relative assessments, therefore, are of crucial importance; and it is possible for an individual or an entire neighborhood to be overassessed, even if the assessments in question are at or below the legislated level.

Distribution of the Property Tax Burden

Because property taxes loom so large in the budgets of both owners and renters, it is important that assessment ratios be uniform among all citizens. Furthermore, the property tax will take on increased significance as changing federal and state policies force localities to depend more heavily on their own sources of revenue. There are at least four questions whose answers affect all urban residents, but most especially minorities and lower income households:

1. On average, is the real estate in minority neighborhoods assessed at higher ratios than real estate in other neighborhoods?

2. Is lower valued real estate, which tends to be owned and occupied by lower income persons, assessed at higher ratios than more costly real estate?

3. Are there large variations in assessment levels for similarly valued property, even for properties in the same neighborhood?

4. Has there been in recent years a shift in the property tax burden from nonresidential types of property to residential types?

In much of the work which has been done to date, the first two, and sometimes the first three, of these issues are combined. They are clearly related. Properties of similar value tend to be clustered together, and many minority neighborhoods are characterized by relatively lower value property. If lower value property is overassessed, therefore, the burden will fall disproportionately on minorities. In addition, there are also low-income whites who own or rent lower valued property. They, too, suffer if such real estate is overassessed.

The issue of generally erratic assessment levels is important because it makes reform efforts more difficult. Even if a neighborhood is, on average, overassessed compared with other neighborhoods, a strong reform coalition may not emerge if a significant proportion of property owners are relatively less overassessed than others. Such persons may simply feel that efforts to achieve reform are really not worth their while. Because almost all studies of assessment practices in all parts of the country, including Chicago, show large variations in assessment ratios, this is not a minor problem.

Let us now review some of the evidence concerning overassessment of lower valued and minority occupied real estate. Boston was one of the first targets of such research. A study published in 1965 looked at assessment ratios for 11 different classes of property in nine different neighborhoods, using sales from 1960 to 1964. For the residential uses, there was a definite tendency for higher assessment ratios to be found in the power and minority neighborhoods. The same pattern also prevailed for many of the other uses (Oldman and Aaron, 1965).

A later analysis explicitly introduced census-tract characteristics into a regression analysis of assessment ratios among approximately 100 of Boston's 155 census tracts. The ratios on residential property

tended to decrease as median family income increased. In other words, homes in higher income census tracts bore proportionately less than their share of the tax burden. Conversely, a disproportionately large share of the tax burden was carried by tracts with higher percentages of nonwhite residents, greater concentrations of deteriorated and dilapidated housing, or lower property values. Results were the same for both 1950 and 1960, although not all the relationships were statistically significant in both years (Black, 1972).

Another observer, looking at 19 neighborhoods in Norfolk, Virginia, found that "The four neighborhoods with the highest assessment-sales ratios were uniformly those with the lowest average property value and were among the five neighborhoods with the lowest average incomes in the city" (Pearson, 1979, p. 1973). He also found great variation in assessment ratios within many of the 19 neighborhoods.

Such findings as these are corroborated in a widely quoted report prepared for the U.S. Department of Housing and Urban Development in 1973. This study of 10 large U.S. cities found a general tendency for assessment ratios to be higher in so-called blighted and downward transitional neighborhoods than in upward transitional and stable neighborhoods. The results must be interpreted with caution, however, because the sample sizes were so small—only 10 or 11 properties in each of the four neighborhoods in each city (U.S. HUD, 1973).

Other researchers have found homes in black neighborhoods over assessed relative to those in white neighborhoods in Buffalo (Hezel and Paettenchwiller, 1973, and Butterini, et al., 1980), Albany (Litwak and King, 1978), and Fort Worth (Hendon, 1968).

Nonuniform Assessment in Cook County

In the early 1970's a metropolitan community organization, the Citizens' Action Program (CAP), launched a major property tax campaign. Focusing initially on alleged underassessments of very large commercial and industrial properties, it soon shifted to single-family residences. A published study showed large overassessments in two of Chicago's older neighborhoods. One of these was predominantly black; the other was predominantly white, but near black areas and under some pressure to change (Moore, 1972; cf. Berry and Bednarz, 1975, and Fuerst and Ditton, 1975). Unpublished parts of the same study found average assessments in four other neighborhoods at or a little below the countywide

average, with assessments in one neighborhood (Bridgeport) far below the county average.

Partially in response to this pressure, the Cook County Assessor's office hired Real Estate Research Corporation and the governor appointed a special investigative task force. Both groups documented significant nonuniformity in assessment ratios for all classes of property, although neither examined the possible implications for lower income or minority neighborhoods (Real Estate Research Corporation, 1971, and Kissel, 1972). These reports and continuing political controversy led to the introduction of a computer-assisted assessing system based on multiple regression analysis. The system was first used in the northeast one fourth (or quadrant) of the county, which was reassessed in 1976. It was subsequently employed in each of the other quadrants as they came up for reassessment over the county's four-year reassessment cycle. Several analyses shortly after introduction of the new computer-assisted method produced evidence that this method continues to result in nonuniform assessment levels in Cook County (Lyons, 1978; Commission to Study the Property Tax, 1978; Governor's Advisory Commission on Taxes, 1979; and Cook County Real Estate Tax Study Commission, 1979).

Finally, in one of the most thorough and complete analysis of differential assessment ratios in black and white communities, Toni Hartrich Mahan (1979) found that assessment ratios in four black neighborhoods of Chicago and the inner ring of suburbs were higher than ratios in five white communities in the same geographic area. Partly as a result of this research, the Assessor's office commissioned a comprehensive review of assessment methods in the county. That review, completed in January 1980, included numerous recommendations for increasing assessment uniformity, both within and among neighborhoods. I am now conducting research to determine whether there has been improvement, but results are not yet available.

The Tax Shift from Nonresidential to Residential Property

The fourth question concerns the shift of the property tax base away from nonresidential property, so that a larger portion of property taxes in many parts of the country is now borne by residential taxpayers than a decade ago. Kuttner and Kelston (1979) have recently documented such shifts in St. Louis, several cities in Ohio, New York City, Califor-

nia, Idaho, Michigan, Wisconsin, and elsewhere. There are two primary reasons for this. First, residential real estate prices have increased much more rapidly than have nonresidential prices during most of the last decade. Secondly, there has been a great proliferation of so-called incentives, or abatements, throughout the country. These are long-term (up to 30 years) property tax exemptions granted to lure new commercial or industrial construction to an area. Evidence is mounting that they have little impact on location decisions, but they significantly reduce business contributions to the local tax base (cf. Olson, 1978; Bahl, 1980; Myers, 1981; and Curley, 1981).

One consequence of these shifts, especially when coupled with increasing public awareness of the other property tax inequities which have been described above, is pressure for general tax limitation and so-called tax revolt. The public services cut as a result of successful revolts, of course, are disproportionately those on which lower income households tend to depend.

A tax base shift such as this has not yet occurred in Chicago. One important reason is that the assessment ratio for 1-6-unit residential structures was reduced twice during the 1970's by the Cook County Board, without corresponding reductions for other classes of property. This has preserved the relative burdens of residential and nonresidential taxpayers in the county, but it has not removed any of the nonuniformities which have been mentioned. A second reason is that Cook County has not had, until quite recently, tax incentive programs of the type that have eroded other cities' nonresidential tax bases. Both of these conditions are changing, however.

The spread between the ratios at which 1-6-unit residential properties and other properties are assessed has been increased to its constitutional maximum. The Assessor has recommended that the County Board reduce the ratio for both classes. This may create the illusion of relief for less sophisticated taxpayers; but it will not actually provide relief because the relative positions of the two property classes will not be altered. It will also tend to shift more of the tax burden onto residential structures with more than six units, many of which are occupied by minorities. In any case, the reduction, even if adopted, will not relieve nonuniformities within the small residential property class.

Secondly, the Cook County Board passed (in 1977 and 1980) two tax abatement ordinances, one for industrial property and the other for commercial.

Each permits a 60-percent property tax exemption over 13 years for new or substantially renovated facilities under certain very broadly defined conditions. Both can have significant negative impacts on the tax base, but the commercial abatement is potentially more damaging because there is so much more new construction to which it might be granted. The law states that it can be offered only in blighted areas, but its first proposed use is for Chicago's North Loop Hilton development. If the Assessor approves the City of Chicago's request, in effect declaring the North Loop "blighted," then a precedent will be set for every large hotel, office, or retail development in the future to claim a similar abatement. The result will be a definite shifting of the tax burden to residential taxpayers. This, of course, means an increase in the dollar amount of the tax burden differentials resulting from other assessment nonuniformities.

Policy Options

What can be done to improve the situation now, and to prevent similar problems from recurring in the future? Four broad policy areas suggest themselves:

1. *Promote better and more frequent citizen review of assessment performance.* In order for this to be achieved, it is necessary that there be a strong state freedom of information law. The terms of such a law must provide that all records and data used in assessing, as well as the final assessments, be made available. Furthermore, data must be made available in any form used by the assessing jurisdiction, including those forms which can be directly read by computers. Such a law will facilitate examination of assessment performance, not only by those who now have access to computers but also by community and public interest groups, which are becoming increasingly sophisticated in the use of computers.

The obvious benefit of this policy is that it entails no real government expenditures. Many groups in the Chicago area already have the knowledge and ability to analyze assessment ratios. Because community organizations have a natural interest in the assessment level of their constituents, simply making data available to them will be a very important first step in creating the political climate in which good assessments are expected.

2. *Promote better internal procedures within assessment offices and more thorough state review of local assessment performance.* In jurisdictions which utilize a computer, such as Cook County, this means the hiring or training of more staff who are qualified to

make computer-assisted assessments. In any case, it means more careful internal reviews and quality checks prior to the release of assessments.

Finally, state review agencies (in Illinois, the Department of Revenue) should begin conducting more detailed analyses of local assessment performance. One element of these analyses should be consideration of neighborhood variations in assessment ratios. The Department has recently begun to analyze price-related differentials to ascertain whether lower valued properties are overassessed—in general, they are—but it does not yet examine ratios for any geographic unit smaller than a township. Since there are only eight townships in the entire city of Chicago (and 30 in the rest of the county), township analyses cannot adequately deal with the problem of potential nonuniformities in assessment ratios among neighborhoods. (For comparison, the Cook County Assessor's office subdivides the county into about 400 neighborhoods.)

3. *Extreme caution must be used in the consideration and granting of tax abatements.* Over the long run, the goal should be to eliminate them entirely. This is not the place for a lengthy discussion of tax abatements and alternatives to them. However, I have suggested several alternatives in a paper prepared for the 1981 Midwest Governor's Conference (Lyons, 1981).

If abatements are not repealed, legislation should be promoted making it mandatory that each affected government body approve a tax abatement before that government's tax base can be affected. Under present law, school boards, park districts, library boards, hospital districts, and the like have no formal decision-making power with respect to the granting of abatements. Yet, if an abatement is granted, it reduces the revenue which can be raised by these jurisdictions at any given tax rate. The proposal would permit each jurisdiction to retain full control over its own tax base, thus curtailing some of the pressure for reduction of services, e.g., schools, in minority neighborhoods. There should also be more strict eligibility requirements for the granting of tax abatements, so that they are not given for development which would in all probably occur even without them.

4. Even if the preceding recommendations are adopted in their entirety, there still will be households too poor to bear their property tax burden. For this reason, income-targeted relief measures should be expanded. In other words, all households, regardless of the age of the head or whether they own or rent, should be made eligible for circuit-breaker relief based on their incomes. Such relief can be granted as is

presently done, through provisions of the state income tax law. Because such relief is computed on the basis of property tax payments as a percentage of income, an important side-effect is that it will partially offset excessively high property tax payments due to overassessment.

Bibliography

- Bahl, Roy. Sept. 1980. The Impact of Local Tax Policy on Urban Economic Development. An Urban Consortium Information Bulletin. Washington: U.S. Dept. of Commerce.
- Berry, Brian J.L., and Robert S. Bednarz. Feb. 1975. "A Hedonic Model of Prices and Assessments for Single Family Homes: Does the Assessor Follow the Market or the Market Follow the Assessor?" *Land Economics*, 51, pp. 21-40.
- Black, David. 1972. "The Nature and Extent of Effective Property Tax Rate Variation Within the City of Boston," *National Tax Journal*, 25, 2, pp. 203-9.
- Butterlin, Frank, Hilda Cornwell, Susan Dowd, and Robert Goch. Jan. 1980. *Anatomy of Inequity: A Study of the Real Property Tax System in Buffalo*. New York: Buffalo: New York Public Interest Research Group.
- Commission to Study the Property Tax. Jan. 1978. Final Report Submitted to the Assessor of Cook County. Chicago: Cook County Assessor's Office.
- Cook County Real Estate Tax Study Commission. May 21, 1979. Final Report. Chicago: Office of the President of the Cook County Board.
- Curley, John. Nov. 2, 1981. "Tax Breaks Aimed at Luring Firms Increasingly Attacked as a Giveaway," *The Wall Street Journal*, sec. 2, p. 25.
- Fuerst, James, and Andrew Ditton. Feb. 1975. "Reducing Property Taxes: An Evaluation of a Collective Action," *Land Economics*, 51, 1, pp. 94-7.
- Governor's Advisory Commission on Taxes. Jan. 1979. Report to the Governor. Springfield, Ill.: Office of the Governor.
- Hartrich Mahan, Toni. 1979. Comparative Assessments of Selected Black and White Communities in Cook County, Illinois. Unpublished master's project, School of Urban Planning and Policy, University of Illinois at Chicago. (An earlier version of much of this research is available as Fred Bremer, Ed Dolan, Thelma Karson, Toni Hartrich Mahan, and Larry Wenderski, *Relative Tax Burdens in Black and White Neighborhoods of Cook County* (Chicago: School of Urban Planning and Policy, University of Illinois, April 24, 1979).)
- Hendon, William. 1968. "Discrimination Against Negro Homeowners in Property Tax Assessment," *American Journal of Economics and Sociology*, 17, 2, pp. 125-32.
- Hezel, George, and Dunstan Haettenschwiler. 1973. *Residential Property Assessments in the City of Buffalo*. Buffalo: Erie County Public Interest Research Group.
- Illinois. 1981. "Local Government Tax and Expenditure Policies and the Regional Economy," in the *Midwest Economy: Issues and Policy Series*. Champaign, Ill.: University of Illinois.
- Kissel, Richard. Oct. 1972. Report on the Assessment Practices in Cook County, 2 vols. Chicago: Illinois Dept. of Local Government Affairs (now the Dept. of Revenue).
- Kuttner, Robert, and David Kelston. Dec. 1979. *The Shifting Property Tax Burden: The Untold Cause of the Tax Revolt*. Public Policy Report 2. Washington: Conference on Alternative State and Local Policies.
- Litwak, Mark, and Kyle King. 1978. *Hit or Miss: Property Tax Assessment Practices in the City of Albany*. New York: New York Public Interest Research Group.
- Lyons, Arthur. Aug. 1978. Assessment Ratios for Townships and Selected Neighborhoods in Cook County, Illinois: A Study in Nonuniformity. Chicago: School of Urban Planning and Policy, University of Illinois.
- Michael, Richard, and Richard Almy. Jan. 8, 1980. A Report to the Assessor on Assessment Practices & Procedures for Residential Properties in Cook County. Chicago: Office of the Cook County Assessor.
- Moore, Thomas J. Oct. 15, 1972. "Beverly, South Shore Homes Highly Overassessed, CAP Finds," *Chicago Sun-Times*, p. 3.
- Myers, Will S. March 1981. *Regional Growth: Interstate Tax Competition*. U.S. Advisory Commission on Intergovernmental Relations Report A-76. Washington: U.S. Government Printing Office.
- Oldman, Oliver, and Henry Aaron. 1965. "Assessment-Sales Ratios Under the Boston Property Tax," *National Tax Journal*, 18, 1, pp. 36-49.
- Olson, Susan. April 1978. *An Evaluation of Tax Incentives as a Means to Encourage Redevelopment*. Cleveland: City Planning Commission.

Pearson, Thomas. 1979. "Assessment Ratios and Property Tax Burdens in Norfolk, Virginia, 1974-1975," *American Real Estate and Urban Economics Association Journal*, 7, 2, pp. 190-230.

Real Estate Research Corporation. 1971. *Reconnaissance Study of the Assessor of Cook County*. Chicago.

U.S. Dept. of Housing and Urban Development (U.S. HUD). Jan. 1973. *A Study of Property Taxes and Urban Blight*. Prepared by Arthur D. Little, Inc. Washington: U.S. Government Printing Office.

Local Enforcers

Promoting and Preserving Racial Residential Diversity: The Park Forest Case

by Donald L. DeMarco, Assistant Village Manager,
Park Forest

Park Forest, Illinois, is a leader in integration among American cities, but the town, "a planned community," did not come off the drawing board with this goal in mind. Nevertheless, the promotion and preservation of neighborhoods that equally attract homeseekers from all racial groups is not something that just happens; it is planned and race-consciously worked at. Park Forest has been planning and working at it for years.

The success of Park Forest probably cannot be replicated. Moreover, other American communities, each unique, probably would and should not try to follow Park Forest's all-too-small shadow out of place and out of time. In Park Forest's experiences, however, are important lessons to be learned about how to promote stable racial diversity. Of no less importance are reasons why such a purpose and goal ought to be pursued.

According to the 1980 census, blacks make up 12.1 percent of the Chicago south suburban village of 26,222. Other minorities, Asians and Hispanics, comprise 5.6 percent. With at large elections, no political parties or slating, and no racially identifiable neighborhoods, Park Forest's Village President is Ronald Bean, a black man, aged 38, a lawyer and the executive director of the Illinois Environmental Facilities Financing Authority. Of Park Forest's six trust-

ees, who along with Bean, comprise the village governing body, one trustee, James Reed, a retired Army major and a school administrator in the Chicago system, is also black. The village board is 28.6 percent black. This twice-named All America City is the only predominantly white Chicagoland municipality to have a black mayor.

As Ron Bean has said, "Park Foresters are capable of looking beyond the issue of race or national origin." This is possible not because Park Foresters are individually extraordinarily liberal. Park Forest is a suburban bedroom community populated with voters (and non-voters) whose support of conservative economic policies and conservative national political figures mirrors many other Chicagoland suburbs; their incomes are about the suburban median and their steadily increasing housing value appreciation still leaves their housing stock less expensive than average. It is possible because Park Forest's past leaders desired to avoid the costs of racial discord and some few wished to enjoy living, and continuing to live, in a culturally enriched environment, one which was racially inclusionary. Park Foresters, from the beginning, have not wished idly.

History of the Park Forest Experience

Park Foresters, the organization men (and women) of William H. Whyte's 1950's best seller, *The Organization Man*, organized. They organized to make their wishes reality, to shape their own destiny, to win the award for twenty-twenty foresight, rather than hindsight, and to make their community the prototype for American society. In terms of gaining nationwide or

Chicagowide followership, Park Foresters have yet to achieve marked success.

Planning for the village began in 1945 by American Community Builders (ACB), whose principal was Philip M. Klutznick, commissioner of the Public Housing Administration during World War II. Construction of commercial buildings and town houses began in 1948; Park Forest was incorporated on February 1, 1949, only six months after its first move-ins, and single-family home construction commenced in 1951, with most buyers being "graduates" of the rental town houses.

As demand for housing was great, the developers could choose from a pool of well-qualified renters and buyers; there were no racial minority group members among them in those early days.

Racial unrest in Cicero in 1951 brought ACB its first inquiries from blacks regarding rental housing, and in June of that year, Thomas Colgan, Park Forest resident and American Friends Service Committee affiliate, called upon the village board of trustees to form a human relations commission that would study racial discrimination in the town.

"Ethical and legal principles of treatment for all citizens" were cited in the July 24, 1951 resolution by which the board authorized creation of the village's Commission on Human Relations (CHR). Henry X. Dietch, then village president and now a Cook County Circuit Court associate judge who still resides in the village, appointed its membership on August 21, and the new body had its first meeting on September 14 of that year.

"Inter-faith as well as interracial cooperation" was an early CHR concern, but possible future housing integration was seen as a dominant issue in the spring of 1952. An ACB official had publicly stated that it was his desire to build houses for anyone, but that "Negroes prefer to live with other Negroes, and Park Forest will not change that situation."

Klutznick asked the Commission in October of 1952 to "ascertain the sentiments of leaders of prominent organizations in the community before ACB decides whether or not it can shoulder the risk involved in accepting (Negro) applications." The Commission responded that "it is not our role to act as a poll-taking organization for ACB. . . . the commission as a Village organization is not in a position to take an activist position in the matter of acceptance of Negroes as tenants, but it is rather our position to insure that no incidents occur when the first move-in

occurs." It would, it said, "work toward democratic conditions for residence in the Village of Park Forest."

Yet nothing changed until early in 1958 when President Robert Dinerstein reconvened the CHR and Harry Teshima, a Nisei resident who had not himself received much ACB enthusiasm when he moved to the village in the early '50's, began working with friends, the National Council of Christians and Jews and American Friends Service Committee, to interest black families in seeking Park Forest housing. We would, years later, be honored by the Commission on Human Relations for this pioneer work.

On June 25, 1959, the Commission met with Charles Wilson, the first black definitely interested in purchasing a home in Park Forest. Restating its position of "non-activism" and "rights observance," the CHR decided on a plan that would include calls upon neighbors of black move-ins to provide accurate information and contacts with the blacks to let them know of community resources and support.

The plan was activated in December of that year when Wilson moved into his Wilshire Street home. Many residents, both pro and con integration, spoke out at the village board meeting of January 12, 1960, but the village held firm to its posture in support of law and order. No incidents occurred.

The Wilsons were transferred from the village in 1962, to be succeeded by Terry Robbins, employee of a chemical firm which had other employees residing in Park Forest. Encountering resistance from the town house rental management, Robbins bought a home on Blackhawk Drive.

Harry Teshima had encouraged Robbins' purchase and home buying by several other black families soon afterward. Their purchases were mainly VA and FHA foreclosures covered by the federal executive order prohibiting discrimination against minorities. Teshima also discouraged black home-seekers from selecting houses close to those owned by other blacks, an early and far-sighted "anti-clustering" move.

In the early 1960's, Dinerstein was chairing the CHR as many town house units went from rental status in reorganization as federally-insured co-operatives, with black families being accepted to membership. By the end of May, 1964, the 12th black family had become Park Forest residents; by July of 1965 there were 33 black families, spread throughout the village and in an almost even split between single-family home ownership and multi-family unit residence.

The village's official stand was to neither encourage nor discourage minority move-ins. On the advice of

human relations experts, village President Bernard Cunningham wrote to all Park Forest real estate brokers in October of 1965, encouraging them to give special care in the sale of homes in close proximity to black-occupied houses, and at the same time asked clergymen to play supportive roles by welcoming new black church members and calming others who need reassurance. This they were quick to do.

By the end of that year, 1.25 percent of co-operatives were occupied by black families, .25 percent of the village's single-family homes were under black ownership and one-half of one percent of Park Forest's total population was black. Move-ins and move-outs were tracked systematically into 1968: in June of that year there were 110 black families in the village, and 144 by the end of September; 56 in houses, 80 in co-ops and eight in rentals. Clustering was to be avoided, according to a memo at that time from the village to area real estate workers.

During the early part of 1967 many groups began to speak out in favor of adoption of fair housing legislation and the village considered its action later that year. Trustee Mayer Singerman proposed adoption of such an ordinance for its symbolic as well as practical value. The Commission on Human Relations recommended a comprehensive fair housing ordinance in November. It was passed by the Board of Trustees on January 29, 1968. The CHR was given the role of enforcement.

Thus Park Forest's fair housing ordinance predates federal fair housing legislation, the Civil Rights Act of 1968, Title VIII, passed later that year after the assassination of Dr. Martin Luther King, Jr.

Through 1969, the village continued to collect data on its black residency, this being seen as an appropriate way of monitoring compliance with Park Forest policy and law. No more "reassurance" visits were being made since they no longer seemed warranted, and soon it was decided that information gathering on residents might be considered an infringement of their rights or dignity. This practice was also discontinued and black move-ins were treated without any special attention. The 1970 census showed Park Forest's black population to be 2.4 percent.

Meanwhile, increasing tension was building concerning construction of low-income housing in Beacon Hill-Forest Heights, bringing the matter of class as well as racial integration into Park Forest Elementary School District 163 and Rich Township High School District 227. The CHR recommended and the village board adopted a resolution of support to District 163

as it voluntarily desegregated all its schools through a grade reorganization plan that went into operation without incident in the fall of 1972.

That year, the commission held the first of its three "Responsible Housing Practice Days," had an initial meeting with the local realty community to discuss a new term "racial steering" and its implications, and encouraged the village to become a corporate member of National Neighbors, an organization of communities and neighborhood groups dedicated to the avoidance of segregation and the promotion of functional integration.

In April of 1973, village President Ralph Johnson was besieged with distressed calls from residents of West Lincolnwood, at the north end of the village, where four adjacent houses were sold to black families within a four-month period. He responded by initiating an investigation regarding illegal racial steering and panic peddling—which uncovered nothing actionable—and called for cooperation of both homeowners and the real estate community to assure the continued free flow of real property. This mini-cluster has not increased in size since that time.

The next month, the Board of Trustees called a special rules committee meeting to hear from experts regarding integration maintenance and learned the importance of housing counseling, affirmative marketing and overall maintenance of all physical property in the village. Within a few days, a board committee had enough integration maintenance recommendations to urge passage of a new ordinance that would reaffirm open housing, specifically prohibit racial steering and create a fair housing review board to hear complaints. The proposal also called for testing or auditing of real estate brokers and counseling of homeseekers. This counseling must involve exposure to housing options in the whole area and must be done whether or not neighboring municipalities cared to cooperate just yet. And the counseling must never limit options, only expand them.

The ordinance ultimately provided for all the above except counseling; that matter plus the problem of aging and abandoned housing went for study to the village's ad hoc housing corporation committee, which recommended establishment of a non-profit housing corporation which would be independent of the village, yet have its support. Park Forest Area Housing Council was thus created in mid-1974 and became, a year later, the Far South Suburban Housing Service (FSSHS).

When FSSHS began devoting most all of its resources to remunerative housing rehabilitation in a neighboring town which has a relative deficiency of demand for housing by minorities, the village turned to the South Suburban Housing Center (SSHC), an organization that the village had not birthed, but one that it had fostered. South Suburban League of Women Voters' members had organized SSHC to foster stable racial diversity in the whole of the housing market of which Park Forest is a part, an area housing 700,000 people.

The village has spent substantial tax monies, often via contract, for the collection of race/residence data for "the greater Park Forest area," for attitudinal research, for auditing (or investigating) south suburban rental and sale real estate practices, for compliance actions, for affirmative marketing, training and aides, and public relations, i.e., doing good and taking credit for it.

Fair Housing Presentation Program

Underlying the village's policy on public relations are several interwoven beliefs (supported by academics such as Reynolds Farley of the University of Michigan, Robert Lake of Rutgers, and Leonard Heumann of the University of Illinois); viz, it is vital to:

1. Make whites aware that other whites are not nearly as prejudiced as they are thought to be, especially in Park Forest, but also in general.
2. Make whites aware that blacks of equal status (education, occupation, income, values) will be or are their neighbors in stably integrated neighborhoods (while acknowledging that the same is not necessarily true in areas of rapid racial transition or resegregation: a situation which should not be equated or confused with integration).
3. Make blacks aware that whites (including those in the increasingly fewer virtually all-white towns. . . none left in the south suburbs) are not nearly as hostile to neighborhood integration as they may think. (This is especially true in the suburbs where whites are relatively more "status secure.") Point out the relative actual danger to blacks of living in the typical predominantly black neighborhood and the relative absence of any violence impacting on blacks in predominantly white neighborhoods (despite the fact that the news media focuses on the occasional, atypical, negative experience).
4. Make whites, blacks and others aware that it is illegal to practice housing discrimination and that it

can be costly. Point out that much discrimination takes place without nefarious intent or hostility to any person, race, or geographic area community or neighborhood, but that the discriminatory (segregatory) result is no less pernicious.

5. Make whites, blacks and others aware that real integration (not mere desegregation or rapid racial transition) brings real economic benefits, especially property value appreciation.

6. Make minorities, non-minorities and system controllers including pertinent institutions of all levels of government and housing marketers and their supporting structures aware of the municipal interest and commitment to promoting unitary marketing practices *everywhere* and creating and maintaining racially inclusive, non-racially identifiable neighborhoods and markets. Press higher levels of government to advance on the mutually dependent purposes of fair housing; i.e., (1) equal access for minorities; and (2) integrated and balanced living patterns. We cannot really have one without the other; they are complementary.

7. Make an effort to get favorable, non-racial publicity. Avoid a high racial (controversial) profile, even if it means foregoing credit for success in progressive, or socially responsible race relations. Such attention tends to be misread, misinterpreted and diminishes demand for housing from non-minorities. (This does not mean that we fail to cooperate with citizens or the media when asked directly for information or explanations. To do so would be to invite suspicion and draw negative press on a racial theme—far worse than "the praise with the unintended partially negative probable consequences.")

8. Seek favorable racially oriented publicity for neighborhoods and towns that are not generally associated with minority activity or residence so as to stimulate underrepresented minority housing traffic and demand.

Fair housing/integration promotion and preservation programs in Park Forest include:

- A. Fair housing audits for housing marketers.
- B. Affirmative marketing seminars for housing marketer.
- C. Homeseeker counseling.
- D. Residential location consultant services.
- E. Public relations support—focusing attention on the All-America City, its achievements, its citizens, its activities, and its plans to keep it all going strong.

Oversight and Assessment

Most major policy decisions made by the village board and most administrative decisions and appointments made by the village manager and his staff are made after accessing the impact on the housing market; i.e., whether the various alternatives will foster stable, diverse race-residence patterns and social integration or not. Some decisions, such as those related to the siting and upkeep of Park Forest's assisted or subsidized housing for seniors and families, are obvious issues for attention. Other decisions require more penetrating vision.

The staff person who is responsible for raising this question and providing information and some insight is an assistant village manager. This is a position on the municipal organization chart which is administratively superior to police chief, fire chief, and public works director. The village is equally concerned about affirmative action for equal opportunity in employment and for affirmative action for equal opportunity in education, even if it means busing. Its housing concerns are not isolated.

In 1981, Park Forest stands as an integrated community, one comprised of people of different races, ethnic groups, religious and economic means—although very predominantly middle income and mainstream. The diverse population interacts, cooperates, and competes in relative harmony. There is no territory or sphere of interest or influence that is not accessible to persons from any group. The town's lofty—some might say inflated—view of itself provides the target and inspiration for continuing to meet the challenge. In the south suburban area, other towns (Park Forest South, Hazel Crest, Chicago Heights, Country Club Hills, Glenwood, Matteson, Homewood, Calumet Park and the thirty-five member South Suburban Mayors and Managers Association) are at various stages of recognizing and acting on their enlightened self-interests—economic and social—in integration. Other allies are lightly sprinkled about other sections of Chicagoland and throughout the country. Some of them are brought together by the Oak Park Exchange Congress, National Neighborhoods and other coalition builders.

But, alas, all is not so really rosy. The gods have really not yet ordained success for Park Forest and the relatively few, the atypical, integrated towns. Problems abound. The real estate industry, especially the National Association of Realtors (NAR) 700,000 strong, presents a major obstacle. The federal government, HUD, et al., has been dogged in its refusal to

live up to the Civil Rights Act of 1968, Title VIII mandate to act affirmatively to effect the purposes of that fair housing law.

Senator Walter Mondale, in sponsoring the Fair Housing Act, said that among its purposes was replacement of racially identifiable housing markets "by truly integrated and balanced living patterns." By and large across the nation, we have not seen that goal realized or even advanced upon except in certain atypical cases and at a very considerable burden to local officials and taxpayers. Instead, we have had the other great purpose of fair housing legislation, i.e., "freedom of choice," become the slogan for segregation, and resegregation, ethnic purity, separate and unequal, business as usual, American apartheid. "Freedom of choice" has become the code phrase that serves as once did "State Rights." It has been used in an effective real estate industry propaganda campaign against efforts to promote and maintain integrated housing markets by affirmative marketing.

It is not enough to have civil rights laws that would allow an individual to live in any neighborhood if the housing markets' segregatory ills are not remedied. Processing individual complaints of discrimination has not proved to be the answer. The NAR-HUD axis has successfully fought off the institution of practical initiatives to promote and maintain residential racial diversity. Sometimes they claim that such initiatives would restrict the rights of persons, including minorities, who desire to continue to choose to live in racially homogenous enclaves and into opposing specific subsidies of segregatory patterns.

From time to time, some black opinion leaders—real estate brokers, politicians and others—have voiced support and given credence to the NAR-HUD resistance, preferring more black housing to integration. The National League of Cities (NLC) and other municipal lobbying groups that assume a public stance favoring fair housing are very skittish about integration and tend to equate fair housing with housing minority and low income people.

The state of Illinois finally in 1980 created a Human Rights Department which includes provision for fair housing enforcement. But, the state's posture is not more affirmative than is Washington's.

When the Northeastern Illinois Planning Commission (NIC) was pushed into favoring "balanced patterns of settlement and delivery of services" throughout the region and into opposing specific subsidies of segregatory patterns, NIPC got savagely attacked, accused of pretensions about metropolitan

dictatorship and usurping local control. NIPC's existence was threatened; its budget was slashed. The lesson has been painfully learned. A retreat, a softening was required.

Across Chicagoland and the nation, the pervasive dual housing market continues to send whites and blacks and other minorities to live apart and in suspicion of one another. If the Park Forest and Park Forest-like realities, achieved in the face of the segregatory and resegregatory winds, are to endure, they must expand and become many, if not typical. Otherwise, their precarious present may well be merged with the segregatory reality of the larger society.

Supporting the enforcement of laws to diminish and stop unfair housing practices is not enough. Government, financial institutions, employers, housing developers and marketers, educators and school decision-makers, and the media must value and move toward

the lawful, if not already mandated, choice of integration. The civil rights-intergroup relations community needs to get in front of this movement. Support from such quarters has not been strong. Anti-melting pot and pro racial, ethnic, and cultural identity sentiment abounds.

In conclusion, the Park Forest model cannot be viewed as a melting pot filled with dull, gray, homogenized human gruel. It cannot be correctly viewed as pure cultural pluralism (unless there is a suburban culture) in the sense of a meal cooked with many different pots, the meat separate from the potatoes, separate from the vegetables. The Park Forest model is like a stew. The meat, potatoes, carrots and peas swim together and are flavored by one another.

The integratory stew tastes good to those fortunate enough to partake, but the injection of poison—of American apartheid—always threatens.

Racial Diversity: A Model for American Communities

by Roberta Raymond, Oak Park Housing Center

Segregation, Integration, Resegregation; Inevitable Sequence or Community Choice?

Racially diverse communities are an "endangered species." Surrounded by closed communities, they must combat the full range of institutional forces which tend to operate against their survival. If this nation is to become one nation, which has put the evils of segregation forever behind it, it is essential that a firm commitment to support racially diverse neighborhoods be set as the highest federal priority.

The tone of race relations in the United States has been established and perpetuated by patterns of housing segregation which have come to be accepted as "normal." The seriousness of the social problem of housing segregation goes far beyond a simple determination of where people live. It bears on the entire existence of blacks and whites in our society. In *Negroes in Cities*, Alma F. and Karl F. Taeuber point out:

Residential segregation occupies a key position in patterns of race relations in the urban United States. It not only inhibits the development of informal, neighborly relations between whites and Negroes, but ensures the segregation of a variety of public and private facilities. The clientele of schools, hospitals, libraries, parks and stores is determined in large part by the racial composition of the neighborhood in which they are located.

Chicago has often been called the most segregated city in the nation. Its pattern of segregation developed after the first large-scale migration of blacks to the city in the early 1900's and continues to the present. Reinforced in 1917 by the Chicago Real Estate Board's basic policy that dictated "...each block shall be filled solid and that further expansion shall be confined to contiguous blocks," housing segregation has become the rule, with racially diverse neighborhoods the exception.

The lack of successful models for long-term racial diversity has led most Chicagoans and their surrounding suburbanites to believe that movement of blacks into their neighborhoods will initiate an irreversible process in which the neighborhood begins as mostly or all white, achieves a temporary condition of "integration," and then "resegregates" to a mostly or all black neighborhood.

Many Chicago metropolitan area suburbs passed fair housing legislation in the late 1960's, coinciding

with the passage of the federal Civil Rights Act of 1968. Such legislation followed national and local efforts to "open" communities in an attempt to coalesce a society viewed as divided by the Kerner Commission after the riots and disorders of the late 1960's.

There are still many opportunities for Americans to live in segregated neighborhoods; there are few opportunities to live in diverse ones. If the Chicago metropolitan area is to achieve open and free housing choice, the few existing models for diversity must be nurtured. They are fragile and prey to attacks from many segments of society. They offer, furthermore, the only examples from which we can learn what works and what doesn't work. They are our laboratories for a social experiment of great value to the nation. From them will come the answers to questions asked by sociologists, demographers, psychologists and urbanologists who theoretically have studied black and white division, and what some have concluded is a growing gap between these racial groups.

This paper will focus on one suburban community that has developed unique approaches to encouraging long-term racial diversity in its housing market. That community is Oak Park, Illinois, and the author is the director of the Oak Park Housing Center, a volunteer group, which has existed since 1972, directing its attention to Oak Park's housing supply and demand, while at the same time being acutely aware of the broader problem of Chicago metropolitan-wide housing patterns and the effect of federal and state policies upon these housing patterns.

In viewing Oak Park as a model for racial diversity, the author acknowledges that Oak Park has not reached perfection, nor does it exist without continuing problems and challenges. Nevertheless, Oak Park has taken a courageous step in openly discussing the essential issue confronting this nation: whether whites, blacks and other minority groups can live together, as neighbors in every sense of the word, and gain experiences which will bring us closer to a society which offers equal opportunity in education, employment, cultural experiences and other areas of life.

Oak Park's Commitment to Racial Diversity

To understand Oak Park's present position vis-a-vis racial diversity, one must first examine how the village anticipated its needs almost twenty years ago, in the context of its sensitive geographic location. The Village of Oak Park, Illinois, covers 4.7 square miles

on the western border of Chicago, with a population of 54,887. Self-contained, with no room for expansion, the village is bordered on the south by Cicero and Berwyn, on the west by Forest Park and River Forest, and on the north and east by Chicago. Of greatest significance to Oak Park in any discussion of the village's attempts to achieve racial diversity, is Chicago's Austin district on the village's eastern boundary. Directly in the path of Chicago's quickly expanding strip of black residency, Austin in the 60's was to undergo racial change of the type most often witnessed in Chicago. Its transition from white to black was accompanied by fear, harassment and panic-peddling by realtors; the sudden "writing off" of the schools by the Chicago Board of Education; and inadequate provision of municipal services to meet the population's increase and changes. But, what distinguished Oak Park from the many communities throughout the nation which have been confronted with the challenge of racial change is that Oak Park initiated efforts to welcome all races to the community long before the path of block-by-block change reached the village's eastern border.

Although a small group of blacks had resided in Oak Park since shortly after the Civil War, their numbers had decreased due to attrition, and they had not been replaced by other blacks. In 1963 a citizen group formed to lobby for open housing legislation. The Oak Park-River Forest Citizens Committee for Human Rights sponsored many events to attract black residents to Oak Park and exerted pressure on real estate offices by a sustained campaign of public marches and demonstrations and on the village government via petitions and public hearings. At about the same time, the Oak Park Board of Trustees appointed an official Community Relations Commission to monitor housing practices. In May, 1968, the Commission recommended passage of a strong fair housing ordinance. Actually passed before the federal government passed its fair housing legislation, that ordinance set the scene for creation of a Community Relations Department, one of the first in the state, to be responsible for the daily enforcement of the ordinance.

An early priority was to inform the local real estate industry of its rights and responsibilities as related to the ordinance, and in a broader sense, to communicate to realtors that Oak Park's future was their future. Both the public and private sectors encouraged the use of local realtors, in an attempt to prevent the influx of outsiders who might accelerate sales through question-

able practices. Oak Park and River Forest are covered by their own real estate board, with offices located within the villages, and staff tending to reside in them. This immediately sets Oak Park apart from most other Chicago suburban areas, whose real estate boards cover large geographic areas and whose members often have little personal loyalty to an individual community. Members of the Oak Park-River Forest Board of Realtors were, in some cases, third generation members of families who had established offices and had major investments in Oak Park. They were not in the business for a "quick buck." Education of the real estate industry became an important activity of the Community Relations Department and the private sector, as represented first by the Citizens Committee and later by the Oak Park Housing Center. Seminars and tours were held which emphasized affirmative marketing principles and tried to stimulate enthusiasm for the "new Oak Park." The majority of realtors stayed in the community and broadened their staffs to include new, young residents who expressed the enthusiasm and were able to sell integration as a positive value. In cases where dubious practices were revealed, investigation and the filing of complaints also were a means of educating the real estate industry.

Following a course of slow integration, blacks moved into the village in a dispersed pattern, during the period between 1963 and 1971. By 1971 there were black families living in all ten elementary school districts, with approximately sixty-five housing units occupied by blacks.

However, during the late 60's and the early 70's, the rapid racial change which had been occurring in Austin was to have a dramatic effect upon Oak Park, intensifying the village's commitment to diversity, while forcing a recognition of the possibility of resegregation.

Predictions—A Call to Action

If Oak Park had been proceeding along its slow but positive path toward racial diversity as a community buffered from Chicago by several other white or integrated communities, its actions of the early 1970's would have been quite different. Such is not the case, however, and its geographic position has prodded Oak Park, with the help of its creative populace, to develop a new set of approaches.

The comment, "If Oak Park can't make it, no suburb can," was often heard during that time and since. There were frequent references to the village's

solid image as an upper middle class, historically significant, architecturally rich, and relatively enlightened, established suburb. Nevertheless, fear and panic had dominated and overwhelmed a number of similar Chicago neighborhoods, including Austin. For, by 1971, racial change in Austin had been dramatic and rapid, encompassing the area as far west as Austin Boulevard, which marks the boundary between Chicago and Oak Park. Many white families living in Austin at that time had previously moved from other Chicago south and west side neighborhoods and now chose Oak Park as the next place to emigrate. They brought with them their experience and knowledge of the racial change process.

A comparison of the Austin and Oak Park experiences has been well documented in the book, *The Oak Park Strategy*, by Carole Goodwin, which notes:

Whatever the differences between Austin and Oak Park, white residents eventually came to share the same fear; that Chicago's massive black ghetto would continue the seemingly inexorable expansion that had caused one after another west side neighborhood to change from all white to all black, and that the same fate would befall Austin and Oak Park.

The period of the late 60's and the early 1970's was also a time for Chicago's resident demographers to take a look at Oak Park and make their predictions, based on past patterns and census data. Essentially, these predictions agreed in forecasting that Oak Park would be 10 percent black by 1975 and 25 percent by 1980. Factors that would contribute to this change were the rapid transit lines from downtown Chicago which ran through the predominantly black west side to Oak Park; the fact that, historically, black areas expand into contiguous white ones and seldom "leap-frog" from a black over a white one to a distant white one; and that the liberal attitude of groups in Oak Park would contribute to the influx. Oak Park was seen as a "prime target" for black expansion for another reason, which was that it contained a high percentage of apartment units, well within the financial reach of many west side Chicago blacks. With almost half of Oak Park's housing stock in rental housing and those units concentrated next to Austin and in a corridor between the rapid transit lines, it was not unreasonable to expect that black movement would quickly occur in the rental units as it had in many Chicago neighborhoods.

Oak Park's reactions to these predictions were varied. There was, although to a limited extent, white fear and flight. But, more importantly, there was a

perceived challenge that Oak Parkers seized as an opportunity for creativity. One of the critical differences between the established "Chicago pattern" and its citizen reaction and Oak Park's new way of dealing with change was that Oak Park's government was autonomous, smaller, more accessible to citizen input, and willing to take on a seemingly impossible task. First and foremost, the government set itself apart from all others by passing in 1973 an official policy statement, "Maintaining Diversity in Oak Park," which stated in part:

... Housing patterns in large metropolitan areas of this country have worked against equality and diversity. Block-by-block racial change has fostered inequality by creating "de facto" segregation. Efforts to achieve diversity are nullified by the re-segregation of neighborhoods from all white to all black. We, individually, and as a community, have worked long and hard on behalf of open housing in Oak Park: we must not succumb to Big-City-style residential patterns.

What took place in Oak Park in the significant period from 1970 to 1980 has been documented perhaps more than any other period in the community's existence. It has been the subject of a book, chapters in a number of texts, a full-length film, numerous television and radio shows, hundreds of magazine and newspaper articles, and innumerable student research papers. The media fascination with Oak Park has been a "mixed blessing," valuable in terms of providing a data source for other communities interested in pursuing similar goals, but at times overemphasizing the precarious nature of racial diversity.

Community Intervention in Racial Change

The government of Oak Park recognized that without both public and private sector intervention in the process of population change, Oak Park would probably experience a steady change in its population from white to black, thereby losing its opportunity for integration. A study by the International City Management Association stated: "The village realized that families, investors, and businesses were all capable of making decisions which could either accelerate or impede the feared process of decline." What was unique about Oak Park's reaction to the challenge was the willingness to openly discuss the issue both within and outside the community. Prior to that time, most communities reacted with panic, embarrassment, attempts to "hold the line" by keeping blacks in one area, the general feeling that an integrated community

was in some way inferior to an all-white one, and fear of discussing the issue. Oak Park's position was an affirmative one: that a diverse community was superior to an all-white one and that a community could consistently work toward improvement while it integrated.

Although virtually hundreds of new ideas were tried in Oak Park during the 1970-80 period, there are several that stand out as crucial determinants of Oak Park's future. Some of these decisions were, at times, unpopular, or at least did not have the total support of the community. But they were decisions with strong foundations, based on what Oak Park had learned from the history of communities that had failed to creatively meet the challenge of racial change.

Oak Park has a Council-Manager form of government. Its trustees, appointed commissioners, manager and staff were able to interweave a variety of programs and ordinances directed at real estate practices, quality of housing stock, public safety, economic strength, and community image. A partial listing of those responses is as follows:

1. New ordinances and/or supplementation of existing ordinances, including the banning of "for sale" or "sold" signs; regular updating of the Fair Housing Ordinance; licensing and inspection of multiple family dwellings; reporting of rentals in multiple family dwellings; requiring leases and security deposits; and other legal approaches to prevent the abuse of apartment buildings.

2. Equity Assurance Plan which insures single family homeowners against depreciation of market values of their homes and was the culmination of five years of research by the Ford Foundation, Northwestern University, Drake University, Urban Reinvestment Task Force, village staff and private groups.

3. Construction of a \$4 million Village Hall as a "vote of confidence" in the eastern section of Oak Park at a time when residents of that area were anxious about Oak Park's future, an action which stimulated economic growth in that area.

4. Passage of a \$1.5 million housing bond issue, earmarked primarily for rehabilitation of existing housing but also used to clear neglected properties and build parking facilities where sorely needed.

5. Upgrading housing inspection procedures, adding inspectors to more closely monitor conditions, and initiating programs such as neighborhood walks and alley inspections.

6. Increased, and more sensitive police protection through better training and additional personnel.

7. Research and discussion of various approaches to guiding racial diversity by use of the Delphi Plan, a private research study to ascertain the community's goals; the establishment of a professionally staffed Community Relations Department; and the effective use of citizen task forces to study and make recommendations.

8. Contracting with a professional public relations firm to assist in improving the media's approach to reporting Oak Park events, while developing both internal and external public relations programs designed to increase confidence in Oak Park's future.

9. Appropriate use of Community Development Block Grant Entitlement Funds to rehabilitate housing, beautify neighborhoods, and stimulate economic development, resulting in a strengthened community able to more positively meet the challenge of achieving racial harmony.

10. Support of the Oak Park Residence Corporation Housing Authority, which constructs and maintains senior citizen housing, renovated multiple unit dwellings, administers the Section 8 housing subsidy program, manages senior and family housing, and identifies problem properties for consideration in various rehabilitation programs.

11. Sponsorship of the Oak Park Exchange Congress, an annual forum for delegates from communities across the country, who are dedicated to racial diversity and share their experiences in a professional learning atmosphere, meeting in Oak Park on even years and in other communities on odd years.

The foregoing, and numerous other governmental approaches to community improvement clearly aim at destroying the myths associated with "changing" areas. Instead of deferring maintenance, decreasing services, and complacently resigning itself to the economic decline witnessed in Chicago neighborhoods that resegregated, Oak Park has deliberately set about to demonstrate that a racially diverse community can offer a superior way of life.

School integration in a racially diverse community is a key variable to determining that community's future. The close relationship between education and housing has been researched for years, but it is in the last few years that studies by Dr. Gary Orfield and Dr. Diana Pearce have focused on the choice of open housing as a way to avoid the disruption of court-ordered remedies for segregated school systems. Orfield has found that cities which coupled open housing and school desegregation efforts had a better chance for long-range success. And, it has been primarily in

the small cities where a comprehensive view of the relation between school integration and housing patterns was evident that such coupling appeared most effective. Pearce noted that the absence of racially identifiable schools removes one of the mechanisms used to "steer" homeseekers to or from sections of a community.

As Oak Park slowly integrated during the early 70's patterns of disproportionate racial enrollment began to appear. These were based upon a higher percentage of black renters than homeowners, thus resulting in larger black enrollments in elementary schools. Long before the District would have deviated from state guidelines directing racial balance in the schools, Oak Park's District 97 elicited citizen input and established a fifty member Committee for Tomorrow's Schools to study and make recommendations for the district to remain within the law as well as to maintain racial stability in the schools. In 1976, a grade reorganization plan was adopted which created two junior high schools in central locations and sought to achieve diversity in the remaining eight elementary schools. Prior to reorganization, some elementary schools had as many as 33.6 per cent minority students, while others had only 6.1 percent. After reorganization the range went from 11.7 percent to 22.8 percent.

Already in existence was a Policy on Human Dignity which outlined five major human relations areas for the schools to pursue: (1) Safeguarding Human Dignity in the Schools; (2) Hiring and Promotional Practices; (3) In-Service Training; (4) Curricular Revision; and (5) Implementation and Reporting. This outline provided a framework for the Oak Park elementary schools that has been implemented in various programs to provide a learning environment sensitive to the needs of minority students as well as to create a more enlightened administration, teaching staff, and majority student population.

Oak Park-River Forest High School did not have to face quite the same problems as the elementary schools. The high school is housed in one building that serves both Oak Park and predominantly white River Forest. Whereas the elementary schools are now about 30 percent minority (21.7 percent black), the high school at 17 percent (12.1 percent black) more closely reflects Oak Park's racial proportions as a whole. (The fact that River Forest contributes very few black students to the high school offsets the larger black student population of Oak Park, which proportionately exceeds its black residential population). Both

Faculty and Parent Human Relations Committees were formed and encouraged to evaluate present programs and offer suggestions for new ones. They have been able to defuse potentially volatile conflicts at the same time as methodically endeavoring to foster interracial activities.

Such progressive programs within the elementary and high schools are indicative of the need for diverse communities to be "ahead of the game." To anticipate, rather than react, creates an environment in which positive values permeate a community and may gradually accomplish behavioral changes. High quality integrated schools also help to make integrated communities a more desirable choice. Some cities reward integrated neighborhoods by exempting them from school busing programs. In Oak Park, although some transportation of students is part of the racial balance plan, few negative reactions have come from parents or students. However, if a Chicago metropolitan-wide school busing plan were to be adopted, communities such as Oak Park might appropriately be exempted. Whatever the case, Oak Park has recognized that schools must accompany housing desegregation with a forthright approach that serves the community while it educates students.

Private Programs Complement Village Policies

The village's multi-faceted program to achieve racial diversity without succumbing to the "Chicago pattern" of block-by-block change has benefited from the support and creativity of the private sector. Early in its history, this was evidenced by input from the Hundred Clubs (network of block clubs), a planning group called the Citizens Action Committee, and the previously mentioned Oak Park-River Forest Citizens Committee for Human Rights.

As the village entered the 70's and began to experience an increase in black demand, some local activists saw a need for a new organization—one which would critically examine the housing supply and demand, while at the same time engaging in a number of auxiliary objectives.

The Oak Park Housing Center was developed in 1971 and opened an office in a local church in mid-1972, the period during which some negative real estate practices and citizen anxiety had resulted in the beginnings of white flight. The Executive Director (author of this paper) has had a long history of involvement in open housing activities, as well as many other Oak Park organizationalities.

The Center established as its goal:

...the creation of a stable, integrated community. To break the pattern of block-by-block racial change, the Oak Park Housing Center determined three tasks: to sell Oak Park as the kind of place where enriching interaction is taking place among the races; to attract the kind of people who respond to and strengthen that kind of climate; and to make certain that the fearful mood at the boundary of racial turnover is countered by substantial in-movement of whites. It has made a significant contribution toward achieving that goal, and it has moved beyond the boundaries of Oak Park to interact with the Austin community and a network of other housing centers covering the metropolitan Chicago area.

Early in its existence, the Center listed homes for sale and matched clients seeking homes, knowing that many realtors lacked confidence in showing houses at Oak Park's eastern boundary to white home seekers. Black home seekers were often the only traffic for these homes, while mostly white sections of Oak Park, River Forest, and a few surrounding suburbs experienced virtually no black demand. However, after a few years of stimulating such demand, the realtors began to comprehend the long-term implications and some made the transition to affirmatively market housing to all races.

With the single family home market somewhat normalized, the Center intensified its concentration on multiple unit dwellings, knowing that it was that segment of Oak Park's housing market which would more critically affect Oak Park's future. Observing Austin and other Chicago west side neighborhoods, the Center noted that it was invariably the corner apartment building that was the detrimental influence on single family homes rather than the opposite. Instead of identifying the owners of such buildings as the enemy, which tended to be a self-fulfilling prophecy, the Center's staff chose to enlist the aid of owners and managers and to convince them that a racially diverse building was a possibility. Based on past experiences in Chicago, many owners believed that once blacks moved into a building, whites would not stay nor would new white tenants choose to rent. The Center, through a series of meetings and one-to-one dialogues, convinced owners that it was worth a try. Within a two to three year period after 1972, there was a new group of "missionaries" for racial diversity. They were and are the building owners and managers who learned that a new approach to diversity could work. The proof was that indeed there are whites willing and interested in living not only in racially diverse neighborhoods, but actually in racially diverse apartment buildings.

Since 1972, over 40,000 clients have been attracted to Oak Park and the Housing Center. Persons who wish to receive the free rent referral service offered by the Center must come to the office to register, at which time they are indoctrinated in Oak Park's goals, and they find an open line of communication with the village made available to them. In addition to listings of available apartments, printed materials about the village, information about and access to the Fair Housing Network, and appropriate referral if they should encounter discriminatory practices are made available to each client. Although a move that contributes to racial diversity is encouraged, it is made clear that all clients have a right to housing of their choice and can pursue normal avenues to achieve this.

Housing counseling is only part of this agency's direct assistance to clients. The unique Apartment Preview Program, thought to be the only one of its kind in the country, gives substantial information about an available unit to the client, at the same time as it affords an opportunity for consultation with building owners. Created three years ago, the program has a staff person who previews apartments listed for rent with the Center. The Preview does not duplicate official housing inspections; it is more concerned with the marketability of the unit. Annual building inspections by village staff see ten percent of the units in a building. Over a twelve-month period, the Center may see up to fifty percent of the units at different times of the year, while gaining more familiarity with the owner's approach. The Previewer is perceived as a helper—the individual who can transmit valuable information about the building to the consumer. The program effectively ties together the supply and demand sides of the market in the best interests of the community. The Preview form supplies basic information, such as room sizes, number of outlets, amenities in the building, availability of parking and other facts helpful to those seeking rentals. Its successes are well documented and show that of the 558 rental units previewed during the last twelve-month period, over 52 percent of available units were rented to Housing Center clients. The Apartment Preview Program is replicatable in other communities, for both the private and public housing sectors, since it monitors the quality of housing, offers professional consultation to the providers of housing, and conveys desired information to the consumer.

The Oak Park Housing Center reinforces its major program areas by cooperation with the village government, schools and other forces concerned with racial

diversity. It has taken a leadership role in the Oak Park Exchange Congress; produced a film about Oak Park and its desire to achieve integration; been featured in several television shows; actively worked within the Fair Housing Network to make racial and economic diversity a reality within the metropolitan Chicago area; and initiated new joint programs between residents of the Austin community to the east and Oak Parkers. Researchers from as far away as the University of Bradford, West Yorkshire, England, have dissected the Housing Center's low budget, folksy approach and have generally concluded that the program has worked and worked well. National recognition has come in various forms: from being one of three programs to qualify Oak Park as a winner in the 1976 "All America City" awards to "Certification of Fair Housing Achievement" from H.U.D. The mere fact that the Center survives into its tenth year, still responsible for its own fundraising, using a small staff plus volunteers, and selling people on a concept not universally popular, is in itself a triumph.

Today and Tomorrow—Can Diversity Survive?

With its many efforts toward establishing a unitary housing market in a sea of segregation, Oak Park has made substantial progress. Although less than one percent black in 1970, the 1980 census figures show the following: Whites, 85.2 percent; Blacks, 10.8 percent; Asian, 2.7 percent; Other, 1.3 percent; Spanish origin, 2.5 percent. However, when we look at Oak Park's twelve census tracts, it is obvious that those variables which led demographers to predict Oak Park's resegregation, have been influential in creating a disproportionate black population in sections of the community next to Chicago, between the rapid transit lines, and having a high percentage of rental units.

The twelve census tracts show a variance from a high of 95 percent white to a low of 66 percent, with the census tract showing a 34 percent minority population that is adjacent to Austin and between the transit lines. Conversely, those sections farthest from Austin with a high percentage of single family homes, and most distant from the rapid transit, have the highest proportion of whites. The public reaction to these figures, when they were released in 1981, was not what one might have expected. There was little evidence of fear, such as homes being placed on the market for sale or tenants moving out in large numbers. In fact, the only obvious reaction was for local newspapers to review Oak Park's programs to encourage racial diversity throughout the community.

Oak Parkers are not satisfied to judge their progress only by percentages and census data. Although certainly indicators of progress in achieving diversity, these statistics are only part of a community's measurement of success or failure. The rate and quality of change are perhaps as important as the extent of change. A percentage rate of approximately one percent a year is slow for the Chicago area, in which a twenty to twenty-five percent change from white to black has not been uncommon. The quality of change is a more difficult variable to determine. One way to discuss quality of change is to view the diversifying process as not one that involves only residency, but one in which black involvement is evident throughout various phases of community activism or participation. In that sense, Oak Park has succeeded more than most other communities. Blacks are participating in both official and unofficial capacities in government, schools, business, social and cultural affairs. A visit to the Village Hall makes a deliberate and credible statement to the newcomer, for blacks are employed there in many capacities within the staffs of all major departments, including police and fire. The schools employ blacks in positions ranging from administrative staff to teaching and custodial. Local businesses have followed the government's lead in equal hiring practices. From Little League to School Board selection committees, blacks are in evidence, though some activities show a greater black representation than others. By and large, Oak Park has purposefully sought to make diversity a quality that moves beyond mere residency patterns.

Communities which have as their goal a unitary housing market would do well to study thoroughly the institutional framework that must be created to establish and reinforce new patterns of behavior. Government is unquestionably the first and most important institutional force which, in combination with the private sector, can encourage these new patterns. However, local governments must function in a somewhat cooperative manner with surrounding governments, and it has become typical in the Chicago area for diverse communities to be surrounded by segregated ones. Thus, we have witnessed a dual housing market, with a now spotty pattern of unitary markets within individual communities. We have yet to witness a unitary market covering a major suburban area. In Oak Park's case, the south and north boundaries separate Oak Park from all-white areas; to the west are two communities—one racially mixed as to its rental market but all white in home ownership,

and the other with a very small black population; and to the east, a most resegregated black community that is beginning to attract some white families. As Carole Goodwin so aptly states in *The Oak Park Strategy*:

Despite the optimism of its leaders, Oak Park has not totally solved its racial problems. Black in-migration has been slow but is still accelerating. Even the most optimistic leaders acknowledged that Oak Park could not successfully integrate unless its neighboring communities could be persuaded or compelled to open their doors and unless blacks could be persuaded to seek homes there as well as in Oak Park. The dual housing market—both its institutional mechanisms and the perceptions of its existence by white and black homeseekers—has created a heavy burden that will not soon be overcome.

Black demand does increase as communities reach a higher black percentage. The community is now perceived as “safe” by black homeseekers, and steering both by some elements of the housing industry and self, creates a disproportionate demand for the integrated community. Oak Park has already seen black demand increase from almost non-existent in the mid-1960’s to about half of those seeking rental housing in 1981. What Oak Park has been able to maintain, contrary to predictions, is a healthy white demand, thus balancing the overall demand, most particularly in the rental market. The ultimate problem is that communities which are openly diverse and demonstrate “good intent” to accomplish integration almost always find themselves receiving a disproportionately high share of black demand, while at the same time suffering from a decrease in white demand, especially in neighborhoods where higher black residency is perceived. The reasons for this are:

1. black homeseekers’ perception of the already open area as an “easy” and safe move;
2. proximity of the open area to an all-black area;
3. the great need for housing by urban blacks who suffer from the scarcity and continuing loss of housing in urban black areas;
4. steering;
5. the fact that housing stock in most Chicago area diverse communities is affordable housing for many black homeseekers;
6. the expectation that integration is a short-lived state which will ultimately shift to resegregation;
7. the continuing existence of communities that intentionally project a “closed” image.

Thus, any discussion of eliminating the dual housing market must recognize the problems faced by communities or neighborhoods that have a unitary market.

The Next Step: Federal Reinforcement

The growing number of American communities committed to racial diversity is encouraging. It indicates to us that the “American creed” is finally becoming the “American deed.” As communities come together to share experiences at the Oak Park Exchange Congress, for example, there is one common thread tying them together. They all want more support from the federal government and the nation as a whole. They see themselves as an endangered species. They believe they have done more to end the long, sad history of racial segregation in housing than other communities, but are on the “firing line” more than closed communities. They feel isolated and vulnerable when critics ask why integration should be preserved or supported, and few voices are heard in support of their contention that individuals who want to live in diverse communities deserve a choice. They want desperately to succeed over a substantial period of time, yet they think the “cards are stacked against them.”

These perceptions are not far from the truth. For, although this country has enforced its laws to end segregation in education and employment and has often attacked discrimination in housing, the lack of a strong commitment to support racially diverse communities has been evident. Dr. Gary Orfield stated, “Federal officials today know a good deal more about the impact of federal construction decisions on the snail darter than on segregation of blacks and Hispanics.” Yet, when school desegregation efforts falter and fail in large urban areas, we call upon experts such as Orfield to solve problems that the federal government has, in some instances, exacerbated by lack of policy regarding housing patterns. Robert L. McGlasson, who wrote “Tipping the Scales of Justice: A Race-Conscious Remedy for Neighborhood Transition” for the *Yale Law Journal*, began his research with the intent of writing about segregated education, but recognized the inadequacy of viewing schools as separate from communities and housing. He observed:

Although the phenomenon of residential segregation most frequently gains attention when the courts fashion remedies in school desegregation cases, its influence on the nation’s life is at the same time both less dramatic and more insidious, implicating issues of health, housing quality, and social insularity. In contrast to this segregated reality, the ideal of stable, racially integrated neighborhoods is appealing, both in its own right and as an efficient means of integrating the public schools. One formidable barrier to integrated communities, however, has been the recurrent pattern of residential reintegration: a predominantly white

neighborhood becomes temporarily integrated, until whites flee, leaving it predominantly black.

What more can be done to reinforce the programs initiated by communities showing good intent and actions designed to foster a unitary housing market and racially diverse populations? A firm commitment to racially diverse neighborhoods must first and foremost be established at the federal level. Although many government officials acknowledge that integration is implicit in federal fair housing legislation, there has been a lack of discussion or interpretation of these laws to focus national attention on housing integration.

The federal support of communities herocially endeavoring to foster multi-racial housing and educational opportunities can be undertaken in a number of ways:

1. Identify all of the communities that have demonstrated good intent in achieving racial diversity and now have a population proving success in that regard.
2. Designate a limited number of diverse communities as model, experimental sites in which various programs to encourage long-term stability can be tested.
3. Facilitate the formulation and implementation of a solid plan for preventing resegregation by:
 - a. Calling together recognized experts in the field of housing and school segregation to develop a preliminary plan;
 - b. Meeting with active and interested local and state officials, as well as representatives of the private sector, to gather their reactions and input to the plan;
 - c. Providing the necessary resources, both financial and human, to implement the plan which evolves from this process.

4. Increase enforcement of federal fair housing laws in all-white areas which present havens to whites desiring to avoid residence in diverse communities.

5. Ensure more and better coordination of federal programs to avoid decisions which would negatively impact on presently diverse areas. Dr. Gary Orfield's "Desegregation Impact Statement," modeled after the environment impact.

6. Develop ways to reward communities that have adopted school and housing diversity plans and have effectively implemented them.

7. Document experiences of presently diverse communities to provide models for replication and to learn from both successes and failures.

There are, no doubt, many other ways that diverse communities could be supported in their efforts. The first step might be, I think, a strong public statement at the national level in favor of those communities and their goals. Without that and subsequent efforts, this group of communities will almost certainly continue to suffer from the insecurities presented by the dual housing market.

If communities like Oak Park were to fail in their quest for racial diversity, the Chicago metropolitan area would be that much farther from dissolving the dual housing market, and the nation might appropriately conclude that the dream of a long-term, multi-racial community is unlikely to ever become a reality. This nation needs models such as Oak Park to point to—models which demonstrate that there are innovative means of reaching that dream. Without such models, we may be suffering endlessly and needlessly from the social problems and racial tensions created and carried on by a divided society.

Recommendations for a Chicago Housing Plan to Assist Low and Moderate Income Tenants

by David Orr, Alderman, 49th Ward, Chicago

My remarks will be based on specific housing problems that directly affect my constituents. While I am concerned about the interest rate dilemma, the weakened building industry, and other such problems—time allows me only to focus on housing problems that primarily affect low and moderate income people; groups that generally do not have effective lobbies representing them.

I represent Chicago's 49th Ward, a neighborhood which has experienced many of the housing problems found throughout the city. The 49th Ward is a densely populated urban area, in which most people are tenants. While most residents are also middle-class, there are significant sections of low and moderate income people in the area. Our neighborhood has experienced significant numbers of condominium conversions, rehabilitation of small and large apartment buildings, deferred maintenance on other large buildings and controversy over subsidized housing and over "gentrification."

The single greatest housing problem for many Chicago tenants is that their rents are outpacing their ability to pay. Obviously, those hardest hit by the effects of increasing rents are those tenants in the moderate or low income range. In my own area, the single largest group of low and moderate income tenants who are most vulnerable to rising rents are senior citizens.

In order to begin seriously formulating successful policies to improve the affordability and quality of Chicago's housing stock, the following major problems must be addressed:

1. An increasing number of Chicagoans (now in the hundreds of thousands) cannot afford to pay rents that are being asked in the private market. Even where no rent gouging exists, rents are simply outpacing many Chicagoans' ability to pay.
2. Twenty-five percent of Chicago's housing stock is substandard, much of it seriously dilapidated. There are very few effective policies to deal with substandard apartments. Tenants who cannot get satisfactory action from their landlords must call for city building inspectors—a very ineffective way to get repairs made. I say this as there is little if any impact from filing building code complaints *unless* a building is sued and actually gets into court—a

process that often takes 5 to 8 months from when the complaint is made.

There is a procedure for complaint in the Department of Housing that very few of Chicago's one and a half million tenants know about. Complaining here has led to the resolution of a few hundred tenants-landlord complaints. But why the city has not widely publicized this possible "service" is troubling.

There is further no city assistance for relocation of needy tenants in the private market. The relocation assistance for tenants in vacated buildings or urban renewal sites is shoddy but there is a policy.

But for those seniors, for example, who are "condoed" out or who can't afford the rent hikes, there is no city assistance—nor is there a coordinated policy to involve the city with private agencies who help certain needy tenants.

When it comes to new building programs or mortgage write-down programs or home loan assistance, there are some city programs that work with varying degrees of success and failure.

But my major point here is that the problems of most Chicagoans who are renters (middle-class and low income) are not addressed by city policy. Rather they are left to the dictates of the private market.

The following specific policies would, I believe, greatly improve the housing situation in Chicago. Many of these recommendations will be brief and I would expect interested parties to follow up with specific questions.

1. The city must have a visible, well coordinated housing plan that includes policies to meet the various problems I've listed above.

The city must collect and make available information on vacancy rates by neighborhood, rent levels and trends in the real estate market, patterns of demolition, deteriorated housing and other basic data that will help the city plan. The city, for example, over the last 3 years has not had nor presented to the aldermen information on the numbers of condos and their impact on the rental housing market.

2. The city needs a comprehensive Tenant-Landlord Act which for example includes repair and deduct legislation—to enable tenants after a certain period of time to make repairs and then deduct the cost from his/her rent.

3. A comprehensive housing policy should include a Fair Rent Commission; a commission empowered to hear tenant complaints as to rent gouging, and with the authority to arbitrate and/or set rental rates on a case by case approach. Besides combatting rent

gouging, Fair Rent Commissions have been successful in promoting improved building maintenance as landlords want their property up to code when they seek rent increases.

Finally, such legislation must include beefed-up financial and technical assistance within the Department of Housing to provide more information on contractors on a regular basis. Housing Court must also be made more available to tenants wishing to take action against such contractors for consistent non-compliance.

4. The city needs a plan for low equity co-ops that checks housing speculation and provides decent housing at more affordable prices.

We need a right of first refusal policy for sale of all buildings and economic and technical assistance for low and moderate income tenants to collectively purchase their buildings. A similar plan in Washington, D.C. has led to several hundred conversions by the tenants themselves.

5. To provide more tax dollars for needy, low and moderate income renters, the federal government must put a cap on the interest to be deducted for federal income taxes. It is obvious that priorities are askance when there is no substantial money available for a million needy seniors—when wealthy Americans across the country are being subsidized through interest write-offs for homes that cost hundreds of thousands of dollars. Instead of mirroring federal Reaganomics policies, the city must find a way to augment the most serious cutbacks with assistance programs of its own.

6. An effective comprehensive city housing plan must also include a proposal for new condominium legislation. There are already good proposals introduced into the City Council—none of which, unfortunately, have been implemented. The present proposals would increase protection for consumers wishing to buy, as well as easing the impact of those dislocated by conversion.

7. An effective housing plan must be one which focuses on conservation of present housing stock as a top priority. Maintaining the present housing stock calls for reform in the present Building and Rehab

Code. At long last, the City Council Committee on Building and Zoning has just begun hearings on a new Rehab Code. Hopefully, the outcome will prove successful.

A conservation policy will not be complete without a wholesale reform of Chicago's Housing Court, which includes a change of attitude in the city officials and judges working within the housing court system itself. More efficient and timely inspections, adequate and available information on the complete status of court records and affected buildings, and tougher prosecutions of repeat offenders in court are all essential to save buildings *before* they reach such a state that they must be demolished.

8. Saving multiple unit apartment buildings will necessitate more low interest loans and/or grants to owners who are willing to invest in these hard times. The City Administration has been working on a plan of this nature for more than a year, and yet nothing official has been introduced into the council. The bond market and federal regulations have made this task more difficult. But further delay will only increase abandonment and demolitions. While this program is still on the back burner, an effective housing policy must make it a top priority.

Reforms need not, and in fact must not, be limited to legislative enactments. In the area of housing, tenant organizations can be most effective in bringing about significant reforms. A powerful tenants group can be an important tool in achieving building code compliance and teaching tenants their rights and responsibilities. The most comprehensive plan for housing reform would be one in which the City Administration is at least tolerant of, and at most supportive of such community organizations.

These are some recommendations for policies that would benefit Chicago and especially urban tenants and urban neighborhoods. Again, there are other essential parts of a total housing policy that, had I the time, I would incorporate. But because I believe the city's majority tenants are the least planned for and the least protected by public policy, I have focused on their needs.

State Enforcers

Observations and Suggestions on Chicago's Shrinking Supply of Decent and Affordable Rental Housing—Public and Private

by Ron Stevens, Supervisor, Housing Division, Cook County State's Attorney's Office

Introduction

My own thumbnail description of the dual housing market in the Chicago metropolitan area is that it consists of decent habitable housing which is affordable by middle income and upward mobile people on the one hand, and badly deteriorated, often uninhabitable housing which is frequently only barely affordable by poor and lower income people. This second set of housing is also mostly inhabited by minority families, black and Hispanic.

The only signs of this dual market disappearing are in the wrong direction. Even white middle income level people are finding themselves being displaced into substandard housing and/or paying rents which are higher than they can afford. But that is merely making things worse still for those on the lower ends of the economic scale, especially minority families.

There are many causes for the existence of this dual market as well as for its maintenance. And there are a variety of perspectives from which one may observe the market. The perspective to some extent dictates the type of solution, or at least the emphasis which is likely to be prescribed by any observer. Because of this, I will briefly explain my vantage point, or my bias.

I spent more than three years as a neighborhood staff attorney with the Legal Assistance Foundation of Chicago, concentrating mostly on housing problems and working in the Englewood and Pilsen communities. I represented both tenants (in private landlord-tenant disputes) and landlords (in building code enforcement cases and related matters). I also represented tenants in public housing and worked extensively with community groups. I then spent two years as staff attorney for Business and Professional People for the Public Interest (BPI), where I served as Coordinator of The Housing Agenda, a loose citywide collection of community-based and other organizations working on low and moderate income issues. Since July, I have been Supervisor of the Housing Division of the Cook County States Attorney's office. My primary concern for the past five years has been the housing needs of low and moderate income people, whether tenants or owners. My perspective has been strongly shaped by my work with community-based organizations actively involved in housing problems in their own neighborhoods, throughout the city of Chicago.

I will concentrate my observations on the role of private actors and local government in the perpetuation or elimination of this dual housing market, as I have described it. My emphasis will be on deteriorating conditions and the "stick" approach (as opposed to the "carrot" approach) to better housing management and, to a lesser extent, on the role of public housing.

The views expressed are my own and do not necessarily represent the views of the State's Attorney of Cook County.

The Nature of Chicago's Housing Shortage

The single, dominant fact about housing in the Chicago metropolitan area is that there is not an adequate supply of decent affordable housing and that the supply which does exist is shrinking at an alarming rate. The demolition of rental units is most drastic in the areas of the metropolitan area inhabited by low income and minority people. According to a study conducted by the Metropolitan Housing and Planning Council (MHPC)—“Housing Chicago and the Region,” published March 1981), 38 percent of all the demolition in the city of Chicago over the last 10 years occurred in 5 of the 76 community areas: East Garfield, North Lawndale, Woodlawn, West Town and Englewood. In the first three of these communities, over 20 percent of the entire housing stock was demolished during that period. All five communities are predominantly low income, minority communities, and all are on the west or south sides.

Nearly 90 percent of the new construction in the Chicago metropolitan area during 1970–79 occurred in the suburbs. Where new construction is occurring in the city, it is not replacement housing for the units lost. The MHPC study showed that another 5 of the 76 Chicago communities accounted for 43 percent of all new construction during the same period. Predictably these communities were all north lakefront communities, from the loop to Uptown—generally middle to upper income areas.

Other significant contrasts between demolition and construction patterns were revealed by the study. In 1970 more than one third of the rental housing units in the city were in 2–4 flat buildings, making that building type the largest supplier of rental housing. However, since 1970, that type of housing has suffered as *net* loss of more than 19,000 units. Among 5–7 unit buildings, a net loss of another 4,500 units occurred. The familiar large walk-up buildings (with 10–49 units), is the *most* seriously affected type of housing, with almost one half of the units in that type of building being lost in the 5 year period of 1970–75. Some of these units were lost to condo conversions, but were nevertheless lost as rental housing. On the other hand, most of the new construction, particularly those units which may include rental units, consists of large buildings which are presumably mostly hi-rise in nature, given their north lakefront location.

Beyond the reality reflected by these figures lies another reality at least as disturbing. These figures do not deal with the fact that among the remaining rental units, many thousands are substandard, and a frightening number are dangerous and virtually, if not literally, uninhabitable. There is no precise way of measuring the number of units that fit these categories. In April of this year, more than 17,000 buildings had active court cases pending against them. In theory these cases reflect other than very minor building code violations, or they would not be in court. Many do involve primarily technical violations, but for every building of that type in court, there may be another with serious violations that has not yet been brought to court. One need only visit Chicago's neighborhoods, particularly the low income areas, to observe the desperate housing conditions in which so many of our families are forced to live.

The Role of Individual Private Actors in the Dual Process of Deterioration of Housing and Rising Rents

Until the central fact of a shrinking and already inadequate supply of decent affordable housing is faced and changed, we can look forward to less rather than more “equal housing opportunity.” In order to devise solutions, we must look to the causes.

The bulk of Chicago's housing stock is more than 40 years old, and when subjected to Chicago's harsh climate, will quickly deteriorate unless it is adequately cared for by its owner. Other forces, ranging from fires, vandalism, and poor care by either tenants or owners can rapidly accelerate the deterioration process. The economic pressures of rising utility, tax and maintenance costs operate as disincentives to proper maintenance. Even the well-meaning, conscientious landlord who is adequately financed can be frustrated in his attempt to keep his property maintained, especially if he is committed to holding rents down to a level which is really affordable.

The economic conditions of the country are obviously a serious factor with high interest rates and rising prices making privately financed new construction and substantial rehab so expensive that only the very well off can afford either. But rather than merely blaming the economy as a whole, thus letting individual actors completely off the hook, we must also look at more immediate factors, ones which we can act to correct on a relatively local and relatively short range basis. It is this area on which I will focus, attempting to explore areas in which individual actors in the

housing arena make choices and priorities that do make a difference—so far, a negative difference. I will then suggest ways to change or redirect the future decisions of those actors, so that some “forces” can be reversed or at least slowed down.

The first and by far most reprehensible set of actors is that of slumlords—people who have created an industry out of the process of drawing every ounce of profit and life out of our housing stock. Taking advantage of tax laws, permissive code enforcement systems, corrupt or incompetent public employees, racial and other forms of discrimination practiced by other landlords, and the general shortage of housing units, these people exploit tenants who have no place else to go and they destroy good or salvageable buildings, in the process turning decent neighborhoods into slums—all in the interest of maximizing their short term profits. The worst of this lot will stop at nothing to drain the last penny out of a building, even at the cost of human life, whether through permitting the existence of dangerous conditions or more simply by torching the building for insurance money or tax advantages.

Our society claims to abhor these people but our actions speak more strongly than our condemnations. In the private sector, the real estate industry argues that the force to fear is the exercise of tenants’ rights and often actively opposes efforts to crack down on slumlords, all in the name of “freedom from regulation.” The industry has proven that it neither can nor will regulate itself, and continues to resist virtually all forms of regulation. Indeed, one of the chief goals of the real estate industry in Illinois is the abolition of the current remedies available to tenants in buildings which the courts find “uninhabitable.”

A second set of actors is another rising class of people: real estate speculators. These people share with slumlords the belief that housing is essentially an investment opportunity, but differ from them in how far they will go to maximize profits. The speculator does not engage in long term, conscious bleeding of a building, nor in arson. The speculator’s is in a different direction, the quick and inexpensive conversion of relatively inexpensive real estate into expensive real estate, the result a tidy profit. This is accomplished through the purchase of housing at depressed cost (whether because of the neighborhood or special circumstances, such as tax sale or an unsophisticated owner) and with minor surface rehab or sophisticated marketing, reselling the property at a much higher cost. The net result of course is more expensive

housing (though not necessarily better housing), or more to the point, the result is a loss of affordable housing.

A third set of actors is less culpable, but clearly part of the problem. This is the landlord who is neither slumlord nor speculator, but who succumbs to the temptation of charging “what the market will bear”, regardless of its relevance to the owner’s actual costs, or normal profit margins. This is not the owner who merely passes on the escalating costs of energy, taxes, maintenance, etc. Instead this owner takes full advantage of the competition for decent housing which has been created by the extraordinary shortage of *decent* units, and charges the highest rent he or she can get, exercising no restraint in a system which effectively provides virtually no external restraints on rents. This category of owner contributes significantly to the rapidly skyrocketing cost of obtaining housing—which of course makes decent housing increasingly unavailable to low income people. Indeed moderate income people are now finding decent housing a rare commodity at the prices they can afford to pay.

Tenants too must share some responsibility, because there are tenants who destroy buildings both by neglect and by design. And the bad tenants contribute to a fortress mentality on the part of landlords leading to a distrust of all tenants, and to a fear of “tenants’ rights.” Many community organizations have recognized the importance of tenant selection and include this in pressures against their local landlords. Tenant organization activists need to distinguish better between good landlords and bad landlords, and between good tenants and bad tenants.

Another recent phenomenon is a major factor, if only through a ripple effect. That phenomenon is large scale condominium conversion. There is nothing sinister or even inherently negative about condo conversions, per se. The problem lies in the scale and the type of “condomania” that is being pursued. Condo conversions tend to be little more than one more way to wring maximum short term profits out of existing housing stock, taking full advantage of the shortage of adequate housing. The overall result of these conversions is to drive up the cost of the units converted (artificially) and to force tenants into other scarce housing units, driving up the costs of those units.

Meanwhile, as more and more rental units are lost due to condo conversions, demolition, abandonment, or sheer uninhabitability, tenants are forced either into higher and higher priced housing (including condos),

or more likely into competition for lower quality housing than that in which they had been living, driving up its cost and forcing lower income tenants into less habitable dwellings. A massive squeeze is taking place. Because of the movement down (in quality) by middle and moderate income people—due to rising rents, and the loss of units at the bottom—even substandard housing is becoming expensive because of the competition for existing units. Those on fixed incomes must cut other necessary expenses such as food and clothing to compete with those with relatively higher incomes.

Another factor contributes significantly to inflated rental costs in deteriorated areas of the city: discrimination against families with children. Because families are excluded from many of the more habitable buildings of the city, particularly in the moderate and middle income areas of the city, families with children, particularly minorities, are forced into overly crowded substandard housing. And because they have little other choice, such families often pay remarkably high rent for badly deteriorated, even dangerous housing.

When housing is discussed within the private sector, it is discussed in terms of market. The problems tend to be defined not in terms of public need, but rather in terms of private benefit. The problems are seen through the eyes of the investor, the developer, the builder. These actors share a common interest: maximized profit which requires higher rather than lower cost to the consumer.

We must begin, even in the private sector to perceive housing as a long-term public investment, not a short-term private one. The solutions to the short term interests of investors today are diametrically opposed to the long-term interests of society. The private sector has not only failed to solve the housing problems through its reliance on "free market" forces, it has either created the crisis we are beginning to experience, or it has at the very least badly exacerbated it.

The problems involved in providing decent affordable housing in the private sector underscore dramatically the importance of government financed housing, of which there are essentially two types: subsidized housing (housing which is essentially private, but which is subsidized directly by the government) and public housing (housing which is the direct responsibility of the government, paid for and maintained by the government).

In addition, local government must be more, rather than less, involved in regulating actors in the private

sector. Private multi-family rental housing must be approached and protected as the disappearing public resource which it is.

Subsidized Housing

While I will not discuss subsidized housing at length, recent turmoil surrounding it seems to require some comment. Many observers have become increasingly skeptical about the effectiveness of government subsidies to provide housing effectively. While the criticisms vary, perhaps the most serious is the one which charges that the programs amount to a subsidy for developers, with relatively few low income people benefitting from a very large public investment. In Chicago, HUD and the Illinois Housing Development Authority (IHDA) have both come under this attack. Subsidized projects located on prime real estate with air conditioners and other amenities end up with supposedly "market rate" rents which may be double the actual rent structure of the surrounding community. One IHDA project has a swimming pool and tennis courts. It is not surprising that neighbors of the projects and others question the wisdom of spending the few federal dollars available for low and moderate income housing in this way. While a relatively small number of families benefit directly from such projects, some have argued, far more low and moderate income families suffer either from the inflation of rents which these large projects may aggravate, or by the appearance of large scale housing assistance to low income people where in fact there is relatively little.

Unless governmental subsidy programs are reshaped to more effectively serve those for whom the programs are intended, and to do so without feeding the negative forces of inflation and gentrification in those communities in which it is placed, they may disappear altogether. Neither the low and moderate income people for whom the programs are intended, nor the middle income people who pay much of the cost seem convinced that current programs work. The chief defenders of the programs are the public employees who operate them and the developers who depend upon them.

Public Housing

Public housing may well be the only long term recourse for the poor. Because of the inflated cost of housing, especially for new construction and substantial rehab, even government subsidy has been ineffective at holding rents down to a level affordable by low income people or at producing low income housing on

sufficiently large scale. It may well be that we can only provide an adequate amount of decent low income housing in the Chicago metropolitan area through public housing.

Public housing in Chicago has been both victim and offender. It has had the impossible task of providing most of the housing for Chicago's poor and low income people while being denied the necessary financial support or public support to do so. But it has also served as slumlord and as provocateur, aggravating rather than defusing the fears of moderate and middle-income people, especially in white communities.

Many who work with public housing projects but are not part of the public housing bureaucracy say that there is no institution in the area which is more guilty of incompetence and corruption. Public housing residents may be the most vulnerable people in our metropolitan area. They have no financial resources of note; they have no political influence; they are prisoners in a dangerous and dehumanized jungle, ignored or despised by the outside world. Because of their vulnerability (if they lose their public housing—where can they go?), they make perfect victims. Because of our lack of concern, we have used our public housing agency as a patronage dumping ground, where merit means little if anything. Those public housing employees who do care and who are competent sometimes become despirited by lack of support. The mood in most large projects is one of hopelessness where survival is the primary goal. The failure of highrise public housing projects has become a cliché. Proposals to tear down or convert them to condos are frequently heard.

Yet public housing has an essential place in our cities. We must struggle to devise ways to humanely house our poor and low-income people, both senior citizens and families. The most promising path seems to be scattered site housing, which avoids the problems of high concentrations of poor people in already depressed (and depressing) communities. Yet, the scattered site program in Chicago is in serious trouble. The mayor has suggested it may be discontinued in order to divert funds into maintenance costs of the troubled old massive projects. But even if the program is continued, the signs are that it will continue to exacerbate the racial and class divisions in our city, rather than heal them. Communities throughout the city have an understandable lack of confidence in the Chicago Housing Authority's ability to properly manage and maintain its property. There are long held

fears and prejudices which threaten to explode at the mere mention of public housing unless those responsible show caution, sensitivity and a willingness to cooperate. Public housing officials must carefully work with community groups to educate community residents about the differences between large, hi-rise public housing and scattered site housing. They must encourage community participation in site selection and work with responsible community groups to establish realistic and effective tenant selection criteria and procedures. And public officials, particularly those elected to office, must exercise a moderating influence rather than an inflammatory one; they must serve as leaders, calling upon the better instincts of their constituents, rather than exploiting the darker side.

If public housing agencies do not become more professionally managed, proving their ability to maintain and manage large amounts of residential property, and if they do not become more sensitive and responsive to responsible community input, public housing may itself become a thing of the past. And without public housing, where will our poor and lower income people look for housing?

There is an obvious need for far greater financial support for public housing, both for better maintenance and security of existing projects, and for construction and rehab of additional public housing through scattered site development. However, the time has passed when governmental agencies could demand large funding without adequate evidence of not only need but proper management. Supporters of public housing (as well as subsidized housing) must demand more accountability by those who control it. The waste and incompetence must be identified and rooted out. Competent and committed people within must be rewarded and encouraged, and others brought into the system with assurances that the system will be overhauled. The time is short, so little confidence exists now, that unless decisive action is taken soon, the public may refuse to support public housing regardless of promised reforms.

Tighter Regulation of the Private Multi-family Housing

We must begin in our effort to crack down on those who willingly contribute to building deterioration by establishing priorities. We must separate the instances of technical but non-hazardous and non-harmful code violations from those which are genuinely harmful or important to the continued integrity of the building.

We must also distinguish between owners who are themselves victims (whether of the economy or of other forces beyond their control) and those who have a pattern of exploiting buildings and tenants.

In each of the former cases, the local governmental response should be supportive, providing technical as well as financial assistance, and in appropriate instances, waiving enforcement of violations all together. The technical assistance may involve not only assistance in obtaining financing and in the rehab process itself, but also in such areas as energy conservation, tenant selection and education, the eviction process, the economics of building management and maintenance, etc.

In the latter cases, we must look to enforcement measures, punitive measures, particularly where the owners or managers have shown a disregard for their responsibilities. These measures should be reserved for those buildings and those operators which present the most serious threat to our housing and neighborhoods. Among the criteria should be the seriousness of the conditions to the health and safety of residents and neighbors, the seriousness of the conditions to the continued viability of the building, and the pattern of operations by the owner and manager. Specifically, where there is a clear pattern of large scale ownership/management combined with mismanagement or deterioration, strong enforcement should be the rule. Where there is evidence of arson-for-profit, intentional milking of buildings or other indications of slumlordism, every legal weapon should be utilized to the utmost.

These weapons should include the issuance and collection of large fines, an effective receivership program geared toward saving salvageable buildings, support of responsible tenant oriented reforms, regulation of rent gouging in a way that encourages building maintenance, jail terms where appropriate and even the removal of property from slumlord ownership in the most serious cases. Enforcement must be coordinated between city code enforcement, Criminal Housing Management Act prosecutions, arson-for-profit prosecutions, and tax delinquency prosecutions. We must also devise additional creative strategies which are as sophisticated, as far reaching and as tough as the operations which we seek to control.

Weapons must also be developed to combat the process of speculation, whether through removal of economic incentives, or other methods. So-called anti-speculation taxes have been enacted in other parts of

the country with controversial results. If those measures are found ineffective or counter productive, other solutions must be devised.

Realistic regulation covering condominium conversions and rent gouging must be found. Condo and co-op conversions can be positive elements in the effort to provide decent and affordable housing, but without regulation they become weapons to inflate housing costs for short term profit. Laws must be enacted which encourage responsible investment, protect tenants' rights and prevent unreasonable or unnecessary inflation of housing costs. The rising cost of housing is directly related to the aggravation of the dual housing market, and it must be combatted.

A new generation of laws which both regulate rents and encourage responsible building maintenance have been enacted in major metropolitan areas across the country. These laws differ from old-style rent-control laws in that they permit landlords to pass on legitimate maintenance, energy and other costs, while protecting tenants from rent gouging. Research has disputed the claims of the real estate industry that such laws lead to the deterioration or disinvestment associated with the old-style rent control laws. Such regulations should be examined for their applicability to Chicago. If there are problems with existing models, then other methods for preventing rent gouging must be found. Excessive rents tend to be associated with bad maintenance and they directly contribute to the lack of choice which forces low and moderate income tenants into substandard housing. It is that lack of choice which helps to maintain the market for such housing and to keep slumlords and speculators in business.

We must also end the distrust between community groups and government, and replace it with a spirit of cooperation. But this will be possible only when government ceases to be defensive and secretive about its programs and procedures. Community groups should be provided maximum access to information which will assist them in their efforts to preserve housing in their neighborhoods. And governmental units must actively solicit the input of experienced community groups and community leaders to improve current programs and to develop new ones. The battle for decent and affordable housing should be one in which government and community groups are allied.

Conclusion

If we are to achieve decent and affordable housing for all, we must put slumlords out of business, remove

the incentives for speculators, and enact and enforce laws to hold housing costs down, protecting both good landlords and good tenants. We must clean up our governmental programs, especially our public housing programs, eliminating waste and incompetence. We must provide sufficient funding to provide for safe and decent housing in existing projects and to greatly expand the scattered site program, under the conditions of responsible community input described earlier.

To do all of these things, we must shed our old habits and assumptions, and the programs based upon them. The housing crisis in which we find ourselves will not be eradicated or even reduced by timid approaches. Minor adjustments in present programs, masked by rhetoric or other PR devices, will only use up precious time during which the crisis will deepen. Our only hope is to be bold and creative, slaying sacred cows where necessary, in our search for genuinely effective housing programs.

The Dual Housing Market in Chicago

by Joyce E. Tucker, Director, Illinois Department of Human Rights

Introduction

The Illinois Department of Human Rights and the Human Rights Commission were created by the passage of the Illinois Human Rights Act, and became effective July 1, 1981.

It is an Act to promote the public health, welfare and safety of the people of the state of Illinois by preventing unlawful discrimination in employment, real property transactions, access to financial credit and public accommodations by authorizing the creation of the Department of Human Rights to enforce, and a Human Rights Commission to adjudicate, allegations of unlawful discrimination, and by making uniform the law, with reference to unlawful discrimination through the addition, amendment, and repeal of various acts.

Prior to the passage of the Human Rights Act, Illinois did not have a Fair Housing Law.

It will be the purpose of this paper to explain the Human Rights Act, as it relates to housing and related areas of housing based upon research of various reports and publications that address housing issues.

Redlining

Redlining began with the practice of mortgage lenders sectioning areas of a map in red. These areas, which were often minority or mixed neighborhoods, were denied mortgage and home improvement loans. Redlining for the most part is still widely practiced in Illinois.

Mortgage lenders, in their belief that when minorities moved into a neighborhood property values decline, direct their loans away from the inner-city to more "stable" neighborhoods and suburban areas. The effect on the older urban communities is the abandonment of buildings and the deterioration of the neighborhood. Homeowners in their areas who wish to sell their homes usually find that they are unable to. In many cases, they end up renting their properties and rarely invest any money in their maintenance. Residents who remain, or move into an area that has been redlined, find that they are unable to obtain loans to improve their homes. With loans unavailable, properties steadily deteriorate and the area becomes blighted.

Communities that cannot obtain conventional loans become dependent upon government insured loans such as those offered by the Federal Housing Authority (FHA) and the Veteran's Administration (VA). Before 1968 these loans went to young families who did not qualify for conventional loans and who were seeking homes in the newer suburbs.

The federal government entered the housing field when judicial enforcement of racial covenants was in effect; city planners were firmly committed to the belief that the homogeneous neighborhood was the ideal in urban living, and the myth that non-white occupancy lowered property value was a cardinal article of faith among realtors, home builders, and lending institutions. Federal housing officials, drawn from those same ranks, threw the full weight of government acceptance behind residential segregation. FHA began its career by making clear the undesirability of mixing different social and racial groups. Racial restrictive covenants were required for every property on which FHA extended loan insurance. Its underwriting manual, which set a national standard for residential design and construction, furnished builders and lenders with a model race restrictive covenant for their guidance and use.

In 1948, after the Supreme Court had struck down judicial enforcement of its racial covenants, FHA changed its policy to a natural course and ceased the official advocacy of racial segregation. Private builders and massive suburban developers alike, however, continued to obtain FHA-insured loans to construct racially restricted housing.

By December 31, 1959, FHA-insured mortgages and loans amounting to more than \$61,000,000,000 had been advanced to private lending institutions and builders in the United States. Of this amount, \$41.4 billion was involved in the financing of 5,272,000 home mortgages, \$7.3 billion in multifamily projects, and \$12.4 billion in 23,357,000 property improvement loans. It was estimated that less than 2 percent of the new construction made possible by these funds was available for occupancy by black American citizens.

After 1968, FHA regulations changed to allow homes to be certified for FHA insurance without reference to the condition of the surrounding neighborhood. This opened up older, partly run down urban neighborhoods to FHA backed loans, which

resulted in an increase of urban insured loans by FHA.¹

The problem which arises with this policy is that lending in these areas becomes dominated by FHA insured loans instead of savings and loan institutions. Mortgage associations, operating in these areas, invest little capital of their own, and do not hesitate selling the FHA backed mortgage to a secondary market investor, usually the Federal National Mortgage Association (Fannie Mae). These mortgage bankers have little interest in the viability of their loans and can often undermine sound mortgage lending practices. Properties are often over-appraised and structural deficiencies ignored. Homeseekers with poor credit and low incomes can be sold homes beyond their ability to pay. Many times foreclosure is initiated resulting in abandoned homes waiting eligibility for resale and subject to deterioration from vandals and lack of maintenance.

Conventional loans remain the most important factor in maintaining and upgrading communities and there is strong evidence that most banks and savings and loan associations continue their practice of denying loans to older neighborhoods. The National Training and Information Center published a report in 1978 based on information obtained through the Federal Home Mortgage Disclosure Act. The report showed that most mortgage money was going into middle-class suburban areas. Relatively little was invested in older racially mixed, low income areas. One-half of all the census-tract areas in the Chicago metropolitan statistical area, mostly in the second ring of suburbs, received 87 percent of all conventional residential mortgages, leaving little residential mortgage money for the city of Chicago.²

Lenders argue that the low level of conventional loans reflect the fact that there is less demand for such lending in most urban areas. They further state that the risks in those areas are too high for home purchase or improvement loans which would insure a good rate of return for their disposition. Sound lending and investment practices, they argue, cause a lower rate of investment in older communities. Because of the perceived high risk and the reluctance of lenders to invest in older neighborhoods, the deterioration of the homes in a community is inevitable. Unless much needed capital is invested in our central city neighbor-

hoods, the problem which exists in our older neighborhoods will continue.

High Interest Rates

Many banks and savings and loan associations claim that they are more willing now to end past redlining practices and make more mortgage and home improvement loans in older neighborhoods; but, this change in policy has not been effective because few city residents can afford loans carrying interest rates as high as 18 percent. Some lending institutions have become more responsive because of pressure from fair housing groups, but high interest rates have had a negative effect on their efforts.

Soaring interest rates have had an adverse effect on mortgage and home improvement loans. By raising the cost of money, the amount of funds institutions have to lend is limited, and the higher interest rates that lenders must charge to make a profit are higher than most potential customers can afford. Consequently most recent mortgage loans in Chicago have been going to northside lakefront buildings.

Recently the FHA and VA lowered their mortgage insured loans to 15 percent. Hopefully, this will have a positive effect on lowering of conventional mortgage interest rates. However, even with interest rates at 15 percent, they are still out of the reach of many lower income families and will have to come down a few more points before the majority of low income families can afford them.

Steering

In 1924, the National Association of Real Estate Boards adopted, as part of its code of ethics, the following declaration:

A Realtor should never be instrumental in introducing into a neighborhood. . . Members of any race or nationality, or any individual whose presence will clearly be detrimental to property values in that neighborhood.

Realtors drew up and spread the use of restrictive religious and racial covenants, placing vast distances between the black slums of the ghettos and the affluent and lilly-white urban and suburban areas. The legacy is still with us today.³

In *Shelly vs Kramer*, 1948, the Supreme Court ruled that a restrictive covenant—one preventing owners of property from selling it to blacks or members of the

¹ Gertrude S. Fish, *The Story of Housing*, Mac Miller Publishing Co., 1979.

² Illinois Issues, "Redlining, A Black and White Issue," July, 1979.

³ Morris Milgran, *Good Neighborhood, The Challenge of Open Housing*, W.W. Norton and Co., 1979, p. 27.

other groups could not be enforced in the courts. In 1962, by executive order, it was decreed that discrimination in renting or selling housing built under government subsidy or with the assistance of government-guaranteed mortgages would not be allowed. The Fair Housing Act of 1968 extended the ban on discrimination because of race, color, religion, or national origin to all housing except for a sale by the owners of individual homes or rental of a room or apartment in a house in which the renter lived. The ban extended to the actions of the real estate industry, to the lenders of funds, to advertising.⁴

To the National Association of Real Estate Boards (NAREB) and its members, the housing market was really two markets—white and black; the white market was cultivated and the black market ignored. While the policies of the NAREB have changed significantly over more recent years, to the point where the organization now supports the federal fair housing laws, the effects of its past policies in fostering residential segregation remain with us.

Private builders, while not as outspoken on the necessity of residential segregation as NAREB, nonetheless, acted in accordance with the separate market principle. Thus in the post World War II housing boom of the 1940's and 1950's, giant subdivisions were built from which minority families were excluded. The only new housing available to minorities consisted of a comparatively small number of units rented in minority enclaves designated for minority occupancy.⁵

In a 1979 report by the U.S. Department of Housing and Urban Development, *Measuring Racial Discrimination in American Housing Market*, the summary and conclusion reported:

In short, the study reveals extensive discrimination, although the level and nature of discrimination clearly varies among regions and sites. The absolute magnitude of the problem is less important than the fact that unequal housing opportunities that are solely the result of race still exist.⁶

Despite fair housing legislation, the dual housing market still exists in most communities in Chicago, and the suburban areas remain segregated.

Blockbusting (panic peddling)

Blockbusting (panic peddling), is very closely related to racial steering. Often times when a community is

"designated" as a minority area, or if minorities move into an area, brokers will use panic peddling methods as part of their selling practices. In order to create alarm among residents of a community, brokers will make statements or distribute written material informing residents that minorities are moving into the area and that they should sell their properties before the values go down.

White homeowners who become fearful that the neighborhood is "changing" will begin selling their homes and move. Brokers who created the alarm will begin steering minorities into the community in increasing numbers, until it becomes re-segregated.

Whenever communities change in this fashion, the white homeowner loses and the minority home-buyer loses. The only ones that profit are the brokers who gain commissions through the sale of the homes.

Integration Maintenance (Quotas)

Although the tendency of ethnic groups to live among their own people has often led to voluntary segregation, the segregation of black Americans in urban ghettos has been involuntary because of their systematic downgrading by whites as well as by their subsequent inability to compete economically for better and more expensive living quarters.⁷

One major result of keeping a substantial portion of the black and minority population out of white neighborhoods is the creation of uniraical areas or ghettos. This, in turn, stimulates the channeling of heavy minority demand into the few areas in any metropolis where minority families are really welcome, and in this way once-open communities may acquire a heavy minority status. To counteract this trend, quotas have been used by some builders, especially before the fair housing laws were passed.

Today some builders and apartment house owners may secretly use a benign quota in order to include blacks in the housing market without running the risk of turning their community into an all minority area.⁸

Exclusion of Children

In a tight rental market it has been found that families with minor children are frequently discriminated against in the rental and occupancy of housing. According to recent studies these families experience

⁴ Nathan Glazer, *Affirmative Discrimination, Ethnic Inequality and Public Policy*, Basic Books, Inc., 1978, p. 133.

⁵ *Understanding Fair Housing*, U.S. Commission on Civil Rights, February, 1973.

⁶ U.S. Department of HUD, *Measuring Racial Discrimination in American Housing Market*, p. 202, April, 1979.

⁷ Morris Milgran, *Good Neighborhood. The Challenge of Open Housing*, W.W. Norton and Co., 1979, p. 89.

⁸ *Ibid.*, p. 90.

special difficulties because landlords are imposing restrictions on the tenancy of minor children.

For example, an article appearing in the *Harvard Law Review* stated that:

Families searching for rental housing often find more than one-half of the vacancies closed to them; exclusion rates as high as 71% are not unknown. Landlords who rent only to adults defend their practices on a number of grounds: It is more expensive to rent to families, children are noisy and bothersome, and adult only apartments command higher rents. Whatever the landlords' reasons for excluding children, it is clear that a tight market is what permits them to act on their preference.⁹

Illinois is among eight states and the District of Columbia that have enacted laws prohibiting the discrimination against the exclusion of children in rental housing (Ill. Rev. Stat., Chap. 68, Section 3-104 et seq.). But the scarce housing market among other socioeconomic factors such as low vacancy rates, which are about 1.8 percent in the city of Chicago,¹⁰ coupled with the ever increasing high cost of rental units, allows landlords to be more selective in their rental policies. (*Chicago Tribune*: 10-18-81)

The Comptroller General of the United States also concedes that "while median rents have increased by an average of 9.6 percent annually (1973-77), renters incomes have only increased by an average 5.6 percent annually."

Another factor which contributes to the vacancy rate decline is the ever increasing condominium conversion with new construction virtually non-existent.¹¹ It is felt that while the social and economic forces are accelerating, the growth in children exclusion policies are not quite fully understood. Landlords might exclude families with children because of the children's mischievousness, boisterousness and rowdiness.¹²

A more convincing reason for the exclusion of children policy was found to be the financial advantage to landlords with "adults only" rental policies. These advantages include lower maintenance costs associated with renting to families without children.¹³

The economic arguments of why the exclusion of children is a common practice among landlords is only used as a facade for overt racial and sexual discrimina-

tion as is succinctly cited in the *Harvard Law Review* article¹⁴ which states:

The debate over exclusionary practices had been intensified by the claim that discrimination against families with children serves as a "smokescreen" for racial and sexual discrimination; It is certainly true that families headed by minorities and women are particularly affected by exclusionary practices because of their proportionately greater representation among renter families than among families in society as a whole.

It seems unlikely, however, that a uniformly applied restrictive practice would prove an effective way of intentionally discriminating against minorities or women. Too many families with white male householders have children, and too many minority and single female householders have no children, to make such a practice an effective screen. It is possible that some landlords give the presence of children in the family of a minority or female householder as the reason for a decision not to rent to that family, but employ exceptions to the policy to accept white male householders with children. This claim is at once more serious and more difficult to prove. In some cases, though, complaints of discrimination against a family because of its children have led to discovery of evidence that racial or sexual bias was also a motivation of the landlord.

We, nonetheless, will have to agree simply because women and minorities will reasonably make up a substantially greater number of households that would be in the rental market than the white male households. Consequently the adverse impact on this group being excluded from rental housing, will be more evident.

There are cases where complainants have called the agency to ask whether or not they can conceal the fact that they have children after they have experienced numerous rejections for housing accommodations. We have also been told of cases where families had to send their children to live with relatives until adequate housing could be found.¹⁵

In recent months there have been articles reported in the *Sun-Times* and *Chicago Tribune* about a family with seven children, who had to sleep in their car in Lincoln Park because they could not find landlords that would rent to them because of their children. Greene and Blake, in their national study, also found

⁹ "Why Johnny Can't Read," 94 *Harvard Law Review*, pp. 1829-49, 1981.

¹⁰ *Ibid.*

¹¹ Comptroller General of the United States, Report to Congress: Rental Housing: A National Problem That Needs Immediate Attention.

¹² *Flowers vs. John Burnham & Co.*, 212 Cal, app 3D, 703, 98 Cal Reporter, pp. 644, 645, 1971.

¹³ *Ibid.*

¹⁴ *Ibid.*, p. 1836.

¹⁵ Green J. and Blake, GP, *How Restrictive Rental Practices Affect Families with Children*.

that this form of non-traditional living also occurs in other areas of the country:

During the past year, 6.9 percent or thirty-eight of the respondents had lived in a non-traditional circumstance. Four had lived in a car, three in a van, three in an abandoned building, and nine had camped out. Two of this group had combined experiences. Thirteen respondents reported living in motels and two in hotels for extended periods of time. Over half of these had lived in these non-traditional situations for over a month, three for six to twelve months and two for over one year.¹⁶

There is an urgent need in the city of Chicago for a sufficient amount of structurally sound housing which will adequately provide for the physical needs of its occupants.¹⁷ The existing supply of sound housing is often occupied under overcrowded conditions. As one single household family said:

Because I'm single with kids they don't have any good housing for us and they just don't care where they put you.

Thus we have seen that the exclusion of children discrimination is an issue that will be paramount to an effective enforcement effort.

Public Housing

The Chicago Housing Authority (CHA) is the nation's second largest public housing authority. The CHA has three housing programs: The Family Housing Program, which is CHA owned apartments for general occupancy; the Elderly Housing Program, which is CHA owned apartments, especially designed for occupancy by elderly persons; and the Section 8 Housing Assistance Payment Program, which assists low and moderate income families and elderly persons to rent apartments of their own choosing in privately owned buildings and pays part of the rent.¹⁸

The Family Housing Program has 30,398 apartments which provide housing for 118,100 persons. The Elderly Housing Program accommodates 19,484 persons in 16,198 apartments. The Section 8 Program assists 11,400 persons in 5,200 apartments.¹⁹

Recently the CHA has issued \$15.9 million in contracts for construction and rehabilitation of 438 housing units under its scattered site program. The CHA's New Development Program began a year ago as a result of the settlement of 13 years of litigation, in

the Gautreaux housing discrimination suit. During those years, virtually no public housing was built.²⁰

In an October 19, 1981 *Chicago Sun-Times* newspaper article, Chicago Housing Authority Executive Director, Andrew J. Mooney, was reported as saying that a Reagan Administration proposal to reduce subsidies to public housing authorities could spell disaster.²¹

The CHA has long been troubled by a growing gap between expenses and income, including the rent its tenants can afford, and federal aid. It was able to balance its fiscal 1981 and 1982 budgets through employee layoffs and other cost-saving measures. The 1982 budget, however, was based on the authority receiving 100 percent of the HUD funding formula.²²

Housing Stock

According to the Metropolitan Housing and Planning Council, construction and demolition in the past decade have been changing the character and scale of Chicago's neighborhoods. The city's typical and generally affordable 2-4 flats and small walk up apartment buildings, which provided 70 percent of all rental stock in 1975, are rapidly being demolished, especially in the inner-city. These buildings are being replaced primarily by larger, more luxurious high cost, high rise buildings along the lakefront.²³

This indicates that the majority of capital being invested in housing is going into housing that most of the inner-city families being displaced by the demolition of older housing units cannot afford. Most new construction in the city was in buildings over 8 units, concentrated heavily along the northside lakefront, and primarily in high rise buildings. Units lost through demolition of buildings over 8 units amounted to over 20,000 throughout the city, and because of the location of heaviest losses in south and west side inner-city community areas, was probably in large walk-up or courtyard buildings. In areas where heavy demolition has occurred, and vacant lots become more abundant, market demand for new housing is not sufficient to support new construction at the high cost it now demands. Consequently, the only new construction in these areas is heavily subsidized. Most new construction in the city has been on the far northwest and southwest sides and the north and near south

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ CHA Facts, 1980.

¹⁹ Ibid.

²⁰ *Chicago Sun-Times*, October 8, 1981.

²¹ *Chicago Sun Times*, October 19, 1981.

²² Ibid.

²³ *Planning Reporter*, Metropolitan Housing and Planning Council, June, 1981.

lakefront. These areas are predominately white and/or middle income areas.²⁴

Condominium Conversion

Conversion of rental properties to condominiums or cooperatives can have various impacts on the communities and neighborhoods in which they occur, on the renters whose units are converted and on the households that occupy converted units.²⁵

In the past decade, condominium conversion greatly changed the rental ownership balance in a number of neighborhoods. Although condominium conversion has increased the number of units available to ownership for those who can afford it, it has been criticized by community groups as being responsible for higher housing costs, displacing renters who have lived in an area for many years, and diminishing the overall supply of rental housing in the city. The greatest conflicts between old and new residents are rising housing prices and rents which result in the displacement of former residents who found that they could no longer keep up with the improvements to their community.

The city Department of Planning estimated in 1978 that the number of condominiums in Chicago was at 51,800 or 4.3 percent of the 1980 total estimated housing stock in the city. Conversions in the past decade have been mostly lakefront communities, but with the increasing cost of managing rental units this trend could continue.

Gentrification of Older Neighborhoods

The rehabilitation of older inner-city housing by middle and upper middle class professional people, sometimes referred to as gentrification, has had a somewhat mixed impact on some sections of some neighborhoods.

The influx of these young professionals has had certain positive effects, as well as negative, on communities. When sections of a community are rehabilitated, the property values as well as the rents skyrocket. This obviously eliminates many of the former residents who have low incomes from renting these apartments, forcing them to seek housing in areas that

they can afford. In addition, because of the increase of property values in the area, taxes also increase often times placing a financial burden on poorer homeowners in the area.

It is obvious that inner-city neighborhoods are in need of the capital improvements that this process involves, but, like the mass urban renewal program of the past, it is the poor and minority persons who are adversely affected, causing the upheaval of poor and minority families and forcing their relocation into similar, but more congested, patterns of segregation.

Summary and Conclusion

Even though there have been numerous laws passed in an attempt to eliminate discrimination, there remains in Chicago discrimination which must be overcome.

Some progress has been made, especially in the areas of employment and public accommodations. We no longer see the blatantly discriminatory employment practices and segregated public accommodations that existed in the past, although much work is still needed in these areas.

Housing, however, has much further to go. Despite the fact that the minority population has grown significantly, the dual housing market and segregated housing patterns are much the same as they were thirty years ago. Every gain in ending segregation in housing has been a difficult one. Litigation in housing cases can go on for many years. Recent court decisions, however, offer some hope that fair housing efforts will be successful in years to come.

The recently passed Illinois Human Rights Act, which gives the Department of Human Rights the authority to investigate charges of discrimination in the areas of employment, real estate transactions, financial credit, and public accommodations will enable the Department to advance the cause of civil rights in the state of Illinois.

But, if integrated housing is to succeed, it will need more than laws and litigation. What is needed is the cooperation and goodwill of every aspect of the housing and financial industries, as well as the members of our communities.

²⁴ Ibid.

²⁵ Ibid.

The Role of the State in Housing Policy

by Michael Spivey, Assistant to Gov. James R. Thompson

While the state of Illinois has a long record of involvement in housing issues, the predominant role in the development of housing policy belongs to the federal government and in turn, their partners, local governments. For its part, the state has served three functions in the housing area:

- administration of federal programs and technical assistance to local governments.
- development of new housing units (through the sale of tax-exempt bonds); and
- policing of housing discrimination.

These functions are served by the Department of Commerce and Community Affairs (DCCA), the Illinois Housing Development Authority (IHDA), and the Department of Human Rights (DHR), respectively. I would like to briefly outline the evolution of the role of the state of Illinois in housing policy, including the efforts of these agencies, and conclude by relating this general discussion to your primary concern—that of the dual housing market.

The Mann Commission

The Mann Commission was a bipartisan commission created by the Illinois General Assembly in 1965 to investigate “the availability of additional low income or public housing for all citizens of Illinois in need thereof.”¹ As such, the Commission was perhaps the greatest single effort by the state to that point to create a comprehensive housing policy.

Indeed, the findings by the Commission were detailed and extensive. In its summary statement the Commission found that:

The catalogue of abuses and public and private neglect is so lengthy that to accept the proposition that the state cannot play a more active and determined role in, for example:

- stimulating the construction and rehabilitation of decent housing for low income families;
- correcting landlord abuses;
- enforcing modern and realistic building and housing codes; and
- creating an open housing market, is to relegate state government . . . to a ministerial function in society. . . .²

In response to these situations, the Mann Commission went on to recommend several courses of action. One recommendation was that a state department of urban affairs be created to include the then State Housing Board in order to expand the role of the state in housing. The new department would have not only responsibility for the planning, development, and coordination of public housing in Illinois but would also have the authority to issue tax-exempt bonds for the purpose of construction and rehabilitation of low and moderate income housing.

The Commission also examined problems of fair housing with recommendations for outlawing both segregation in public housing and for using the state's licensing power to prevent block-busting by real estate operators.

Many of the recommendations of the Mann Commission were subsequently implemented, although in a somewhat different fashion from the original recommendations.

The Department of Commerce and Community Affairs

Shortly after publication of the Mann Report, the Illinois General Assembly acted to create the Department of Local Government Affairs (DLGA). Within the DLGA was placed the Office of Housing and Buildings. Ironically many of the functions which the Mann Commission intended for the new housing agency were not included in DLGA-OHB. For example, the power to issue mortgage revenue bonds was legislated, but it was placed within the Illinois Housing Development Authority. Further, the recommendation that the new state agency provide direct subsidies to low income persons through a rental assistance program was not acted upon. As a result, the greatly expanded role for the state in housing policy, foreseen by the Mann Commission, did not come about.

However, that is not to say that DLGA and its successor agency, the Department of Commerce and Community Affairs, have not served an important, integrative function in housing. DCCA's ongoing Illinois areawide project, for example, is one of the most ambitious efforts in the nation to coordinate multiple funding sources and multiple levels of governments for the purpose of creating new housing, rehabilitative housing, and providing public facilities.

¹ Mann, Robert E., et al, Legislative Commission on Low Income Housing—*For Better Housing in Illinois* (Springfield, 1967) p. 9.

² *Ibid.*, p. 1.

In addition to the areawide project, the Department provides housing assistance to Illinois citizens and communities through a number of other programs. Among these are:

- *General Planning and Development Assistance.*

One of DCCA's major activities is assisting local governments and public and not-for-profit agencies in addressing housing problems and needs. Assistance is provided in the preparation of applications for federal housing funding and the preparation and enforcement of fair housing ordinances and guidelines with an emphasis on housing for the low income and elderly.

- *Housing Technical Assistance.* DCCA also provides technical assistance to local housing authorities in application for federal funding, addressing management issues, and addressing affirmative action concerns.

- *Section 8 Moderate Rehabilitation.* DCCA has been allocated 353 units of Section 8 subsidies in order to facilitate moderate rehabilitation. To date, 250 have been rehabilitated throughout the state.

As was mentioned earlier, authority to issue tax-exempt mortgage revenue bonds was granted to a quasi-public agency, the Illinois Housing Development Authority.

The Illinois Housing Development Authority

IHDA was created in 1967 to "make loans for the construction and rehabilitation of housing and community facilities, acquire and develop land. . . and as a means of encouraging home ownership, make loans to and purchase residential mortgages from private lending institutions."³

With respect to the crucial question—who is to occupy IHDA-financed projects—the Illinois Housing Development Act stated:

The Authority shall formulate regulations. . . setting forth criteria for tenant selection plans. . . the income limits shall be sufficiently flexible to avoid undue homogeneity.

In order to. . . achieve rent charges which will make units available to persons and families of low income at low rentals, the Authority and a mortgagor may use devices including, but not limited to, direct rental assistance in the form of partial rent subsidy from any county, municipal, State or federal source. . . .

The Authority shall require that occupancy of all housing. . . assisted under this Act be open to all persons. . . .⁴

Thus, the mandate to IHDA was broad and clear. IHDA was to: "help to produce housing, produce it for people of low and moderate incomes; find out where it is needed and put it there; make it attractive and accessible; make sure that it is open and available to people regardless of race; make certain that poor people have a chance to live in the housing, with rent subsidies from all possible sources, but make certain that occupancy is diversified."⁵

By objective standards, in terms of both quality and quantity, IHDA has been a success. IHDA has produced more than 17,000 units of racially integrated housing. Occupancy data show IHDA's commitment to equal housing opportunity.

To date, IHDA has financed mortgage loans in 28 counties. The total population in these counties is 9.6 million of which 2.1 million (22.8%) are minority. Of IHDA's 16,800 units, 21% are minority occupied.

The reason for these numbers is to be found in IHDA's aggressive affirmative marketing policy.

The substance of IHDA's affirmative marketing policy is found in Title VIII of the Civil Rights Act of 1968, the Illinois Human Rights Act and the loan documents which are issued to finance the developments. The policy is communicated to the owner of the development, the development team, the management agent, and the community in which the development is to be located.

After initial application submission, the owner is notified in the site and market letter and the IHDA processing guide that close cooperation with the Authority's equal opportunity staff (Division of Labor Standards and Affirmative Marketing) will enable him to meet the requirements of the Authority's Equal Housing Opportunity policy. Soon after receipt of the letter, the owner, the development staff, and the Labor Standards and Affirmative Marketing staff meet to discuss submission of the Affirmative Marketing Plan. The plan encourages the development staff to analyze the potential market to determine the housing needs of all segments of the population in the development area. The analysis should reveal which groups are not housed in decent, safe and sanitary units or are least likely to apply for residency under normal conditions and thus should be encouraged through direct outreach to apply to the new development. Frequently, community-based housing groups are included in the

³ Illinois Revised Statutes, Chapter 67 1/2, Section 301 ff.

⁴ Housing Policies and Programs for Illinois, p. 23.

⁵ Ibid., p. 23.

outreach efforts which are to be made during the period of construction prior to rent-up.

After submission of the plan, the developer and the Labor Standards and Affirmative Marketing staff maintain contact on an informal basis until the Pre-Occupancy conference. This conference can occur during the construction of the development or at least 90 days prior to the start of marketing. This conference is held to review the Affirmative Marketing Plan for revisions based upon changes in the community structure or changes in the marketing approach of the development. The meeting serves to acquaint IHDA staff and the development staff with the mutual goals to be met in the marketing period.

From that point on, the development is monitored by IHDA to determine whether the Affirmative Marketing goals are being met. Monitoring does not stop with 100 percent rent-up, but is continued throughout the term of the mortgage by visits of the IHDA housing management officer and the Affirmative Marketing staff. Also, the Labor Standards and Affirmative Marketing staff answer phone inquiries and hold seminars for the development staff which give fair housing instruction on tenant selection criteria, eviction procedures, and community resources.

In addition to efforts by IHDA to spread the fair housing philosophy, the Department of Human Rights has the predominant role in this regard as well as responsibility for policing of housing discrimination.

The Department of Human Rights

The Department of Human Rights was created in 1979 with the passage of the Illinois Human Rights Act. Article 3 of the Act makes it a civil rights violation to unlawfully discriminate against a person in "the sale, exchange, rental, or lease of real property."⁶ Article 3 is thus similar to Title VIII of the Civil Rights Act of 1968 except that it expands on Title VIII to prohibit housing discrimination because of children, marital status or handicap.

Since operations began on July 1, 1980, the Department of Human Rights has docketed 86 housing complaints. Recent months have witnessed a sharp increase as a result of efforts to publicize the Human Rights Act with various fair housing groups.

In addition to investigating charges filed by individuals who feel they have been discriminated against in

housing, the Human Rights Act allows the Department to initiate a charge against any entity that is discriminating in a pattern and practice fashion. This power of initiation is important in the effort to eliminate the dual housing market.

State Housing Policy and the Dual Housing Market

Despite the findings of the Mann Commission, and the efforts of DCCA, IHDA, and DHR, the dual housing market in Illinois continues to exist. In fact, in many areas the dual housing market and segregated housing patterns are much the same as they were 30 years ago.

Racial segregation in housing in Illinois is not just a Chicago problem either. Springfield, East St. Louis, Champaign-Urbana, are all characterized by segregated living patterns.

Further, these patterns did not come about by accident. Segregated neighborhoods were an accepted public policy during the first half of this century. Segregated housing came about not only through the actions of the real estate industry, but also has been caused by various programs administered by the U.S. Department of Housing and Urban Development.

In addition, it must be admitted that this country has never agreed whether residential segregation per se is bad. Should whites be allowed to live in all-white neighborhoods or blacks to live in all-black neighborhoods? Should government be concerned only with discrimination or with segregation as well?

Illinois has taken a strong stand against housing discrimination. In this regard the Illinois Human Rights Act is model legislation. Efforts by DCCA and IHDA have also been designed to promote housing integration. IHDA's aggressive, affirmative marketing policy is an example. While the dual housing market continues to exist, these efforts have had a positive impact as the previous discussion demonstrates.

However, if integrated housing is to become a reality, more than laws and public programs are necessary. This is especially true as states anxiously await the impact of federal budget cuts and the "new federalism." If integrated housing is to succeed, it will require a public-private sector cooperation between all sectors of the housing and finance industries, federal, state and local governments, and our communities as well.

⁶ Illinois Human Rights Act. Sec. 3-102.

Federal Enforcers

On Increasing Housing Opportunities for Minorities and Women: A Multi-Dimensional View of Current Practices and Ideals

Chicago Area Office, U.S. Department of Housing and Urban Development (HUD)*

Summary

I suggest that some of HUD's most cherished housing practices need to be examined to determine their affect on minorities and the minority community. One of such cherished practices contained in HUD Handbook, 7417.1 REV-1, prohibits the development of housing in areas having a "high level of minority concentration." The consequence of complying with such a regulation is that very little, if any, housing gets built in the minority community. The result of such an urban policy is evidenced.

Twenty-four thousand eight hundred and eighty-nine (24,889) Chicago inner-city residents are on the Section 8 Housing waiting list. They live in inner-city areas with high minority concentrations where housing cannot be built pursuant to existing practices. I should, then, ask this question, should not "housing choices" for minorities include the choice to live in standard assisted housing in their own community? I most certainly think so. Therefore, I suggest that subject aforementioned policies (covering minority

concentration) be modified so that the "greater housing choices" for minority people can include the choice to live in assisted housing built in areas where they currently reside.

The Gautreaux Program currently operative in Chicago, also needs to be evaluated to determine whether or not its objective is compatible with the housing preferences of low income inner-city minority residents. Further, if the Gautreaux Program is to exist, it must be placed under the auspices of the Office of the Assistant Secretary for FH&EO and handed down through the Region to the Area Office's FH&EO Division where it rightfully belongs. There is no good reason why this equal housing opportunity program is lodged in the Office of the General Counsel. Minorities do not have enough influence in that Office to ensure consideration of the minority's point of views. Thus, the restricting and limiting provisions regarding the construction of new housing units in the minority community should be modified so that the minority community can maximize its redevelopment potential.

But in order that greater housing choices be made available for minority people, a much more equitable share of HUD funds than are used for business purposes must be planned for and allocated to minority business enterprises. A much more equitable share of HUD funds deposited in banks and Saving

* This paper was prepared by Samuel E. Riley, Fair Housing and Equal Opportunity, with the assistance of Michael J. Barnas, Assisted Housing Management Officer, Kathleen Finerty, Community Development Representative, and Christopher Murphy, Single Family Housing Evaluation. The paper was presented at the

consultation by Elmer Binford, Area Director, with the assistance of Louciene Watson, Fair Housing and Equal Opportunity, and Samuel E. Riley. These are the views of the presenters and not necessarily the views of HUD.

and Loan Associations must be deposited in those which are principally owned or controlled by minority group members.

A good rule to follow in working toward an equitable share of business resources for minorities is: the minority business participation level should approximate the minority percentile in the political jurisdiction of the applicant agency. This means that if city X has 10 percent minority population and spends \$1 million of its funds on business activities, it should target \$100,000 to activities benefiting the minority business community. Such an approach would be conducive to restoring some of the vitality that the minority business community once enjoyed. In order to achieve these equal business opportunity goals, I suggest that the above state minority business enterprise policy be implemented so that the minority business community can become viable once again.

This same "good rule" can be used to determine the "fair share" amount of business resources that should be planned for and allocated to the various minority group categories comprising the minority population. This means that if a ten percent (10%) minority population consisted of 2 percent Asian, 6 percent Black, and 4 percent Hispanic population distribu-

tions, their "fair share" of the total amount of funds allocated to the minority business community would approximate their respective population percentiles. Again, the principle should be used as a means of allocating funds for business purposes to the various minority people comprising the minority population.

Further, I suggest that the Fair Housing and Equal Opportunity Operating Plan be developed at the Area Office level by the Fair Housing and Equal Opportunity Director. This change is necessary in order to insure that the Operating Plan activities be consonant with the Area Office Manager's overall Equal Opportunity strategy. It would not be necessary, then, to execute two plans concurrently in order that Area Office's objectives be met.

Moreover, I suggest that all Operating Plan activities be carried out in a manner that optimizes their impact potentials. An example of such a design is attached entitled "FH&EO, Fiscal Year 1982 Operating Plan."

Finally, I asked three of my colleagues to comment on the prospects of obtaining equal housing opportunities for minorities and women during the 1980's. Their commentaries follow as Exhibit Numbers 2, 3, and 4.

Exhibit 1

FH&EO Fiscal Year 1982 Operating Plan

The Community Planning and Development Program recipients are classified on the basis of their impact potential. Thus, recipients having the largest minority percentile or the largest amount of program funds are classified as to their potential for increasing housing choices, providing employment and business opportunities for minorities and women. Some agencies, however, are classified on the basis of their proximity to a large urban center rather than their population statistics. Thus, optimal agencies are those having the greatest impact potential for increasing housing choices and providing employment and business opportunities for minorities and women. Median agencies have the next highest potential, and so on.

Also, eighty-three percent (83%) of the State Community Planning and Development funds is allocated to the three classifications of agencies. Likewise, 75-80 percent of the assisted housing units are allocated to allocation areas containing the optimal, median and marginal agencies. Therefore, the Area Office's Fair Housing and Equal Opportunity staff resources will accommodate the impact potential that exist within these agencies' jurisdiction.

Staff focus will be on increasing housing choices for minorities and women and increasing employment and business opportunities concomitantly as well.

Exhibit 2

Equal Housing Opportunity in the '80s: Obstacles and Objectives

1. Obstacles to Wider Housing Opportunities for Minorities

The single most formidable obstacle for minorities to securing decent, safe, and sanitary housing is likely to be restricted ability to pay. Where low income persons are concentrated, few incentives exist for the construction of new housing without some government intervention. Where minority group membership and low economic status tend to be associated and when access to housing is restricted by racial or ethnic prejudice, minority housing will tend to be of poor quality and even poorer value. HUD's response to the problem of restricted choices in housing has included increasing the supply of decent units and subsidizing tenants by paying the differences between a fixed proportion of their income and their actual cost for shelter.

2. HUD Housing Development Efforts

The traditional Public Housing program, operating through local authorities, usually on a county or city level, has been in operation since the late '30s. During the '70s, HUD began to provide Housing Assistance through the Section 8 program in projects of newly constructed, substantially rehabilitated, and moderately rehabilitated units, with both profit-motivated and non-profit sponsorship.

Federal mortgage insurance for the development of non-profit cooperative ownership housing projects has been available since the '50s. With the coupling, in certain instances, of the Section 8 program to the ownership cooperative program, it has been possible to diversify the population of the cooperatives and to extend the opportunity for ownership to many individuals who would otherwise have found home ownership nearly impossible.

The Section 8 Existing Housing Program, administered by local Housing Authorities, provides housing assistance to renters within and through the private

housing market. Participants receive certificates which state the unit size for which HUD, through the local Authority, will provide Housing Assistance, if the unit and lease are acceptable. Participants may lease "in place" from their current landlords or may move to any acceptable unit within the Housing Authority's jurisdiction. In the Chicago area, eight Housing Authorities have agreed to a Certificate Exchange program which greatly extends the potential mobility of certificate holders by allowing certain participants to choose a unit anywhere within the eight jurisdictions. Although the Section 8 Existing Program does not directly result in the creating of additional housing units, it does deliver housing assistance at a lower per unit cost and makes possible much wider dispersal of low income tenants than other forms of assistance.

A similar result has been obtained recently in the traditional Public Housing program through the small-scale development of public housing units on scattered sites. Although the development cost has been higher on a per unit basis, the dwellings produced, while of modest design, are not visually distinct from surrounding neighborhoods, and the dispersal of the largest assisted families has been facilitated.

HUD has had considerable success in encouraging the inclusion of a minority of subsidized units in projects which would otherwise have been built entirely for market rate tenants. The strongest inducement has been advantageous long-term financing under the Government National Mortgage Association's Program 25.

There has been somewhat less success in the placement of predominantly or completely subsidized housing into neighborhoods which are nonminority or which, while containing a substantial minority population, are undergoing revitalization. A variety of legal and political challenges have been made to

assisted projects in nonminority areas. While the courts have sometimes sustained challenges on technical and procedural grounds, they have not accepted any of the theoretical arguments aimed at the concept of assisted housing itself. On some occasions, considerable pressure has been exerted on local planning commissions and zoning boards to prevent favorable consideration of proposed assisted housing. In some instances, property owners have been induced by the weight of local opinion to withdraw from transactions or to refrain from offering their property for sale. This sort of opposition has increased the rate of attrition for projects in higher income neighborhoods and restricts the number of proposals which are made in such neighborhoods.

Legislation already enacted will restrict eligibility and benefit levels for housing assistance as for many other transfer payments. These reductions will have effects which go far beyond immediate recipients. In neighborhoods with high concentrations of lower income individuals, the result will be to decrease the level of economic activity, boosting the rate of business failure and increasing substantially the rates of unemployment and underemployment. These effects will operate on top of the pattern of general economic slowdown caused by a restrictive monetary policy. In such circumstances, housing assistance payments are of critical importance not only to individual families but to entire communities.

3. Objective 1: Creation of Accessible Jobs

In order to expand housing opportunities for minorities, HUD must make a major effort to assure that newly created and relocated jobs will be accessible to minority group members. Distance imposes high costs in time and money for commuting and will decrease the likelihood of application being made for a given job. Given the strength of ties to existing minority communities and the persistence of patterns of residential segregation, the availability of jobs to minority group members will depend to a large extent on the economic vitality of our older central cities.

The increasing relocation of factories and regional and national administrative centers to suburban locations has resulted in a massive displacement of jobs in manufacturing and in clerical and other services from the cities to the suburbs. HUD's development policies must ensure that central cities are enabled to compete on an equal basis for jobs and tax revenues to avoid reinforcing the disadvantages of those central city

residents who are lower income and members of minority groups.

4. Objective 2: Deconcentration of Assisted Housing

A sound objective for the '80s must be the eventual decommission of the massive public housing projects built during the '50s. These projects typically consist of large numbers of buildings with 9-19 stories, with double-loaded corridors, open galleries, no lobbies or other access controls, and only one of two elevators. The scale of these projects and their concentration in a few minority neighborhoods was a way of avoiding controversy about the location of public housing at the time. The design philosophy in use is seriously out of touch with human needs (particularly for nonelderly families), and the projects demonstrate throughout a dangerously false sense of economy.

The housing which resulted is expensive to maintain and requires considerable retrofitting to be acceptable as decent, safe, and sanitary. While the units in these projects are an improvement in themselves over the deteriorated units which they replaced, the social atmosphere which the project design fosters is characterized by isolation and fear.

These massive and poorly designed projects are a mixed blessing to the residents, but an unequivocal embarrassment to the effort to provide decent housing. As the most visible example of public housing, the projects constantly present to the entire nation negative and misleading images of housing authority management, of housing authority tenants, and of all forms of subsidized housing. Conditions in the projects are not uniformly grim, but the image of publicly provided housing will continue to be strongly colored by the grimmer aspects of life in the large projects as long as they are in use.

In a few cases, efforts are already in progress to decommission the least workable projects, at least in those cities where the intensity of demand for public housing has decreased. Until replacement housing is available, however, it is unrealistic to expect that the use of even the least successful projects can be foregone. The cost of replacement will not be slight. Currently it would require approximately \$16 million to replace just one of Chicago's largest high rises (with no net increases in the housing supply). By the end of the decade, costs may be more than double what they are today, although the costs of maintaining such projects may be even less acceptable.

Exhibit 3

Comments on The Usefulness of HAP's in Effecting of Production of Assisted Housing

Up to the present, any community requesting Community Development Block Grant Funds, whether under the Entitlement or Small Cities Program, has been required to submit an application which included a Housing Assistance Plan (HAP).

The purpose of the HAP is twofold. First, it requires communities receiving Block Grants to assess the housing needs of their low-and moderate-income persons and minorities, and to address a portion of those needs within a 3-year period. Secondly, it is intended to provide an input mechanism for the community to inform HUD of the type and proportion of assisted housing needed. Ideally, therefore, HAP's could have a shaping influence on the yearly Housing Allocation plan developed by the Area Office to distribute available assisted housing throughout the state.

It is true that the dollar amount of *contract authority* available to each area of the state is based not on HAP goals, but on need, according to the Fair Share formula which is based on the census. But the spread of units offered to each allocation area by housing type and household type, under this contract authority, could be based on that area's HAP and its proportions.

In actual fact, however, the goals established by communities having HAP's far exceeds the contract authority available for all forms of assisted housing throughout the state. And the competition is not limited to communities with HAP's.

The limited housing resources cannot always be offered to cities (except for very large ones like Chicago) or even countries on an individual basis. Once the contract authority is divided into metropolitan and on-metropolitan funds, a dollar amount is computed by housing program type for each county. The figures arrived at in this manner are frequently

too small to support economically feasible housing project. Therefore, regional allocation areas must be established by combining several counties and encompassing sufficient contract authority to support such projects. Only then can the local requirements by housing type and household type, as expressed in the HAP, be looked at. Since there may be several HAP's operative in a given regional allocation area, their individual influence on the units offered in that area may be quite indirect.

A community's performance in meeting its HAP goals is regularly analyzed and evaluated, through monitoring, grantee performance reports, annual in-house review, housing production records, and so on. HAP implementation is one of the four major areas of consideration when a community is monitored. Attention is focussed on performance against the three year goals, since the purpose of annual goals is to insure that needs will be addressed in a timely manner within the three-year cycle.

Currently, the third year increment of the three-year HAP cycle for entitlement cities is in effect. As stated above, the goals for assisted housing far exceed the contract authority available over the three-year period, and most of the three-year goals (particularly in the area of assisted renter units) have not been met.

A city not achieving its HAP goals is nonetheless expected to demonstrate what positive efforts it has made. Applicants are required by the program regulations to take all actions within their control to facilitate implementation of the plan, and particularly to address the needs of families and large families requiring rental assistance. Failure to achieve goals may result in a monitoring finding, and could lead to a grant condition or grant reduction in the case of entitlement communities.

An example of conditioning a grantee with favorable results is the case of Kankakee, Illinois. The city council had passed a resolution by which the entire city was rezoned, limiting any new construction to single family dwellings. Under the circumstances, the three-year HAP goal for new construction of renter units could not be implemented. Virtually all developers' proposals for Section 8 new construction would be excluded.

The city was advised that this action was viewed by HUD as obstructive to HAP implementation. The city stated that each proposal for assisted multifamily housing could be considered individually by their Plan Commission. However, this was unacceptable and conditions were placed on the city's grant approval, stating that the restrictive zoning must be eliminated, and available sites for future multi-family assisted housing must be identified, or the grant would be reduced. After meetings between HUD staff and the city government, the city eventually complied and the conditions were lifted. HUD's Housing Division later targeted a NOFA for 95 units of Section 8 new construction assistance to that area, and five proposals were received for development the City of Kankakee. They are currently undergoing processing by the Housing staff.

An example of a grantee being reduced for poor HAP performance (and other reasons) is the case of DuPage County. This urban county entitlement grantee repeatedly failed to achieve HAP goals, particularly for new construction of family rental housing, while elderly rental housing goals were being exceeded. CDBG funds were budgeted for housing rehabilita-

tion, which was never carried out. Funds were also budgeted for housing rehabilitation, which was never carried out. Funds were also budgeted for acquisition of sites for construction of assisted housing, only to have the activity dropped. The county government objected to developers' proposals in response to Section 8 NOFAs. After giving warnings since 1976, the Chicago Area Office reduced the 1979 grant to zero. The county took no action to qualify for grants in 1980 or 1981. While no positive housing efforts have yet resulted from these sanctions, the county is now indicating a tentative interest in qualifying for FY'82 funds, in which case a resolution of the housing issue will figure prominently.

Under the 1981 amendments to the Housing and Community Development Act of 1974, the HAP continues to be required for entitlement grantees. Cities receiving grants under the Small Cities Program, responsibility for which has been transferred to the State of Illinois, will no longer be required to submit HAP's. In the past, a city's previous HAP performance was a pivotal issue in the awarding of bonus points and determination of capacity undertaken during the yearly ranking of Small Cities pre-applications.

Entitlement cities, therefore, will continue to be required to analyze and acknowledge their need for assisted housing, and in some cases the HAP will remain a useful enforcement tool for HUD. But unless the unlikely occurs, and there is a vast increase in the funds available for assisted housing, the goals established by cities through their HAP's will continue to be missed by a wide margin.

Exhibit 4

Rehabilitating the Inner-City Housing Stock

The single family housing market in the Chicago metropolitan area is facing a critical situation. With rising costs and high interest rates the average homebuyer can no longer afford the average priced home. Based upon data figures provided by the Federal Home Loan Bank Board, HUD has estimated that as of October, 1981 the median price of a single family residence in the Chicago area is \$71,603. An income of \$45,700 would be required for a prospective buyer to qualify for FHA financing on such a home. However, the most recent Census Bureau data indicate that the 1981 median family income for owner occupied units in the same area is only \$29,600. Clearly housing is moving farther out of reach for larger segments of the homebuying public who are now experiencing the problems once unique to minorities and those at the lower end of the income scale.

In the seventies minorities experienced mixed results in their efforts to achieve economic and social equality. This is partly because goals in the areas of income and housing were not always consistent. Laws such as the Davis-Bacon Act which helped establish equity in wages through payment of the prevailing wage in an area also tended to inflate the cost of housing in that area. Consequently any gains were offset by a higher cost of living.

In the realm of income different minorities experienced different trends. In 1970 the median incomes of black and Hispanic homeowners were respectively 7 percent and 11 percent less than the overall median income in Chicago. By 1975 these median incomes were respectively 14 percent and 4 percent less than the overall median income. Hispanics made gains while blacks lost ground.

Homeownership increased among minorities in the City of Chicago. Minority homeownership jumped from 22 percent to 31 percent between 1970 and 1975. However, there was a darker side to the story told by

the homeownership statistics. During the same period non-minority homeownership declined 10 percent within the city casting the lingering shadow of urban flight over the Chicago housing market.

At first glance it would appear that the higher costs of new construction and housing in general outside the central city have tended to limit minority options in the housing market. However, examination of the goals which minority groups set for themselves makes it clear that problems in the central city were much more instrumental in limiting minority achievement. According to 1975 Census Bureau data the majority of minority urban dwellers in Chicago do not want to move although they feel their neighborhood conditions are undesirable. 80 percent of the black homeowners, 76 percent of the black renters, 69 percent of the Hispanic homeowners, and 73 percent of the Hispanic renters in Chicago agree that their neighborhood conditions are undesirable. Yet, 79 percent of the black homeowners, 70 percent of the black renters, 83 percent of the Hispanic homeowners and 83 percent of the Hispanic renters do not want to move. The three main undesirable conditions, which were also the three main reasons for moving cited by those members of these minorities who would like to move, were crime, litter, and the number of abandoned or deteriorating buildings. The unmistakable conclusion is that the thrust of any single family housing program to benefit minorities must be aimed where it will benefit those minorities the most: the inner city.

Existing implementations of affirmative action in single family housing programs are aimed primarily at new construction in largely suburban areas. Programs geared to help low and moderate income families, like Section 235, generally do tend to help minorities since, as noted earlier, minority median income is below the overall median income. However, the Section 235 program, which has been suspended for a review of

funding, also has had its greatest impact on new construction in suburban areas. The area which has been largely neglected in single family programs is rehabilitation of existing housing in the central city.

A program for rehabing single family housing in the inner city would not only provide housing in areas where minority groups wish to live but would also alleviate the undesirable influence of urban blight.

"Q & A"

At virtually any conference some of the most provocative and informative statements are offered after the formal presentations are delivered. This consultation proved to be no exception. What follows are just some of the observations made by invited participants and members of the audience, frequently in response to other presentors or questions of the Illinois Advisory Committee, which were not included in the published papers.

On the reality of housing discrimination:

The major points I would emphasize are these. The discriminatory dual housing market which separates black from white citizens in so many of our neighborhoods and communities in the Chicago metropolitan area is not a natural growth. It is a deliberate creation at a particular point in history in which the organized real estate industry was the major actor. It is sustained in part by the inertia of about six decades now of activity in which discrimination and segregation were built into almost every phase of the marketing system. And it is sustained in part by the continuing deliberate acts of the major actors in the housing field. Those include the real estate industry which still persists in outright discrimination in large sections of the metropolitan area in a practice known as racial steering, the steering of blacks to black or integrated areas and whites away from those areas to white areas in other parts of the area. It is also an industry which remains rigidly segregated, in which blacks serve the black areas of the metropolitan area and whites serve the others and there is almost no integration of work forces in the real estate industry.

The other actors are governments at the federal, state and local level. . . any government program which does not deliberately set out to overcome the dual housing market will end up reinforcing it.

Kale Williams, Executive Director
Leadership Council for Metropolitan Open
Housing

I think the key to overcoming the dual housing market or making progress to overcome the dual housing market is the general expansion of housing. . . It is very important that we understand that federal subsidies alone cannot carry the burden of expanding housing choices. And it's not just because in my judgment of the limitations on budget, it also has to do with the monetary system and the cost of capital. The interest rates now are so high that even with federal subsidies and even with federal guarantees many of the proposals we now have are not feasible.

Elmer Binford, Area Director

U.S. Dept. of Housing and Urban Development

There is not the money available to the state of Illinois, to the federal government, to any local community, to end the dual housing market. . . . Ultimately only a partnership, not only of government, state, local and federal, but a partnership including organizations representing communities and the business community, will bring about the end to the dual housing market.

Michael Spivey, Assistant to Governor Thompson
. . . but racial integration needn't really cost a lot of dollars. It requires a commitment, a vision, and it requires policies that promote it in order to eradicate the segregative influences, and create the proper

climate. But it doesn't cost a lot. But it's got to be valued first. And I don't sense that there has been national leadership that has valued it and that's what's most needed.

Donald L. DeMarco, Assistant Village Manager
Park Forest

What I'm saying here is, if you're asking me is there much concern for low and moderate income people of any color, I think the answer is no. It's a very frank no. . . . There are individuals in the city government that care, there are elected officials that care, but in terms of policy, there has not been any kind of effective lobby for those kinds of people.

David Orr, Alderman
49th Ward, Chicago

. . . discrimination against blacks is more sophisticated now, and very often, blacks looking out in the suburbs doesn't know they've been discriminated against, because they may be treated really kindly by the realtor they go to and they don't know until a long time later that they've experienced any sort of differential treatment.

Roberta Raymond, Director
Oak Park Housing Center

. . . there is a general retreat in our society from a commitment to equality of opportunity across the board. . . it is not at the top or near the top of the concerns of as many people as it was in the past.

Kale Williams

There are reasons why those people on the westside and the southside cannot get those apartments on the northside lakefront; and they often have to do with race and they often have to do with the existence of children in the family which is another serious problem. I think probably the most serious or the most pervasive problem that I experienced as a Legal Services lawyer, . . . where families try to move out of substandard housing, their search inevitably leads to one closed door after another on the basis that there are children in the family.

Ron Stevens, Supervisor
Housing Division

Cook County States Attorney's Office

. . . everyone expects racially diverse communities to fail.

Roberta Raymond

On the condition of public housing:

The Chicago Housing Authority's 40,000 regular units are in total disrepair and if they were brought up to the present building code in the city of Chicago, it

would take approximately one hundred million dollars to do so. That means to correct the deficiencies in the present housing stock of the Chicago Housing Authority, it would take approximately one hundred million dollars. . . statistically we house 140,000 people. That's what we've got on paper. But in reality it's about 300,000 because we have two and three families staying in one unit because they have nowhere to go. . . .

But, the enforcement mechanisms that are not working now must be forced to work. If the Building Department of the city of Chicago and HUD inspected the 40,000 units of public housing I dare say that they would all be closed down tomorrow for being so far out in the cold that they would be considered uninhabitable.

Renault Robinson, Commissioner
Chicago Housing Authority

You know, if they wanted to stop dope in our community they could do it. When . . . white kids were tripping out on LSD and jumping out of windows, talking about they could fly, hanging out in the suburbs and stuff, hey, they almost ran LSD out of the business. They could do the same thing in the black communities with the T's and blue's. The doctors control the T's and blue's. The pharmaceutical companies control the T's and blue's. Black people don't control no dope. And if they spent as much time in trying to deal with the folks that control the dope as opposed to those folks who become victims of the dope, then the dope would not exist in our communities. The same thing with the gang question. The gangs have always worked in the best interest of the politicians and the developers.

Marion Stamps, Director
Tranquility Memorial Community Organization

. . . the row houses and walk-ups are far, far better—as living experiences—than the high rises. . . .

. . . in terms of the existing public housing, I think the only thing that will really make a difference is from the top down CHA make a commitment to hire and promote on the basis of experience and professionalism, clean out the incompetent and the corrupt employees who exist there, and develop serious professional management.

Ron Stevens

Let me just say we've got 25,000 people right now on our waiting list for public housing. . . . On our waiting list for Section 8 certificates, we don't count

them in people any more, we count them in years. We have a seven to ten year waiting list for people to obtain a Section 8 certificate.

Renault Robinson

On the merits of integration:

I think it's far more important to develop and build a healthy climate in which you can live because in the final analysis, if you make housing available to somebody in an all white community you have in fact affected those three or four families that may move there; but that does not do anything—does not make an appreciable impact on all of the hundreds of thousands of people that still live in the inner city.

Michael W. Scott, Vice Pres.

Pyramidwest Development Corp.

One of the consequences that we are most concerned with of the displacement issue is the fact that when people are displaced they get scattered throughout the city. It's not an organized displacement where they all go from one neighborhood to another neighborhood. And consequently when people move from neighborhood to neighborhood, their children have to be transferred from school to school and the chances of political representation are limited, because if the whole neighborhood is dispersed there's little possibility of electing Latino officials to represent us. . . .

I think that as long as we continue to be dispersed our chances of having equal political representation are going to be very limited, and as long as we do not have representation our chances of improving our situation in terms of jobs and in terms of housing, et cetera are going to be limited.

Mario Lopez, Exec. Director

Community Housing Education Corporation

The fundamental philosophy was that blacks would live better lives reducing the chances of riots if they moved to non-ghetto areas.

This policy has been the base for denying necessary funding and resources to black communities.

Jan Oden

Unite

. . . I find it pure folly to spend a hundred million dollars even in the name of integration to build two thousand new units, half of which would be senior citizen residences when we have forty thousand units which are presently not providing people with safe, decent, clean living conditions.

We have not yet developed the appropriate management capacity to properly handle what we have and to add two thousand new units at the exorbitant costs of

one hundred million dollars does not, again, appear to me to be a sound decision. . . . I think the idea of integration in housing although a good one, should give way to quality housing wherever it might be. . . .

Renault Robinson

It seems to me that our best chance of providing quality housing for everybody is to get rid of the dual housing market. So much of what is now wrong with housing results from the patterns of discrimination in the past. Two examples. One is the one I gave earlier. The reason we have these massive concentrations of public housing which are difficult to manage and maintain. . . . is that we weren't able to build scattered site housing at an earlier point in small concentrations that would be appropriate for families. . . .

The second is that the main engine for the deterioration of neighborhood after neighborhood in Chicago has been the process of rapid racial transition, hundreds of thousands of people leaving an area and being replaced by people of a different race and with somewhat different cultures in a very short period of time. And in that situation the institutions which provide the essential network of community life, the churches and the schools and the small businesses just can't survive. And, when you add to that the withdrawal of funds to keep up the property by banks and savings and loans, you have what we have seen in neighborhood after neighborhood. That racial transition is followed by deterioration.

Kale Williams

I don't think that you can make much of a case for the need for. . . more opportunities to choose segregation, whether that's white segregation, black segregation, Hispanic segregation or what have you. These kinds of choices abound; stable racially diverse housing markets are few, very few. And where they exist, they're threatened. It requires a lot of ingenuity, a lot of effort and not inconsiderable sums of money in order to try to create the integrated option and to maintain it. . . .

My own view on that subject is that whatever the consequences, people have to have the right to choose where they want to live. And, further than that, it is my view that the black political agenda can be advanced more effectively if it has a strong base in the suburbs than if it is a monolithic black community within the central city of the metropolitan area.

Kale Williams

. . . we do indeed in this country need models or examples of communities that achieve long-term racial diversity. And that there are some things that the

federal government can do to support these communities and hopefully encourage more communities in the United States to become racially diversified. But that without successful models or examples, I'm afraid the future will be rather bleak.

Roberta Raymond

On economics and housing:

The problem with charging what the market will bear in a housing economy like the one in which we now live is that there is a kind of artificial inflation that has taken place. I'm not speaking about the landlord who passes on the energy costs that are necessary, who passes on the maintenance cost, et cetera. I'm talking about landlords who find out that it is possible to raise their rents by \$100 a month because the market is so severely stressed that they can do it, because people are desperate enough for those units that they will pay excessive rents. And so the landlord then charges that \$100 more a month or whatever. There is nothing illegal about that, it's to be expected in a society in which we view housing as primarily an investment opportunity. But nevertheless, the role of those landlords, as benign as it may be individually is to again exacerbate an already serious problem of unavailability of affordable housing which is decent.

Ron Stevens

I'm saying that if the federal government is pulling out, that is the single biggest disaster that I see in the whole Reagan program. No public housing, no housing that is going to solve the needs of low and moderate income people can be done without a subsidy. It's impossible to be done without a subsidy. . . .

I don't believe that the private sector is going to have a significant role in dealing with volunteerism in dealing with housing conditions in their own community, if right now the private sector is in its own financial trouble. . . .

But for a government to say that the private sector is going to be the solution, my answer is, not only is it wrong but what makes anybody think that the private sector is so all knowing and bright that they can understand something that is not something that would normally involve them, such as housing production, housing rehabilitation.

Fidel Lopez

Area Development Continental Bank

You see, we've first got to understand why public housing in Chicago was built in the first place. Public housing in Chicago was not built to provide low-

income housing for poor people because of World War II. It was built to maintain the land. . . .

So, what I'm saying is that in '81 the game plan is different. The game is to run the people off the land and that's why Jane Byrne moved in there, to justify forcing hundreds of people out of their houses in Cabrini-Green, in order for Rubloff and her favorite buddy, Chaddick, to take that land.

. . . as time goes on it will become very, very clear that the move in Cabrini-Green by the Mayor had nothing to do with saving our babies but making sure that the sweetheart deals and relationships she had made with her big developers could become a reality.

Marion Stamps

. . . I think the key to overcoming the dual housing market or making progress to overcome the dual housing market is the general expansion of housing. . . . It is very important that we understand that federal subsidies alone cannot carry the burden of expanding housing choices. And it's not just because, in my judgment, of the limitations on budget, it also has to do with the monetary system and the cost of capital. The interest rates now are so high that even with federal subsidies and even with federal guarantees many of the proposals we now have are not feasible. . . .

I think it's very important that public policy foster the flow of capital into the housing industry. I think it's very important that we have tax equity, local tax equity so that real estate development carries its fair share but not more than its fair share in terms of the cost of government. I think it is important that when we examine a subsidy program that we ask ourselves how much of the subsidy is actually going to the target populations.

Now as you know, one of the things that is now being discussed is the voucher system which is very similar to the Section 8 existing system. And the reason I think that appears to be such an attractive idea is because at the present time it is assumed, it is estimated that only about one half of the housing subsidies allocated for low income people actually gets to the people for actual shelter. You have the finance cost and the attorney fees and the architect costs and a lot of other things. . . .

And we also have to ask the question about what should be the role of public housing subsidies in the future, given their cost: I think there are two tests. One is, are these subsidies stimulating the expansion of housing. And two, are most of the dollars allocated reaching the target population.

Elmer Binford

. . . I suggest that there are far more housing units than we need than we can ever effectively absorb.

There has been over the last two decades new construction far in excess of any needs that have been generated. National housing policy has been to spur the economy and to promote certain parts of the financial industry, primarily savings and loan associations, by means of promoting construction. Local suburban policy has been to encourage new housing in order to increase the tax base—the fiscal base—of the community. This has led to two or three times as many housing units having been built during the last two decades as there have been new household formations. In this country, those who can afford to move into these new units are encouraged to do so by a pervasive ethic that says you get ahead by moving up, that is out of the neighborhood where you are now. Not everyone moves of course, but enough people do to create vacancies elsewhere.

People are encouraged to become consumers of new units in order to get them off the market, not because they need new housing. And there are a whole host of incentives and subsidies which do this, primarily in federal tax law and federal housing policies. As these people move into the newly constructed housing others move into the housing they vacate driven by the same forces and the same ethic that says you move up in life by moving into a new house.

Usually after two or three moves you encounter a unit which is not then filled by someone else moving in, at least it's not filled at a price or at a rent that the owner expects or would like to obtain. This is where the slumlord comes in. He picks up the property, puts nothing into it, often does not pay property taxes on it, rents it to whomever he can find for whatever rent he can for as long as he can until it finally burns or winds up in Housing Court and is demolished. Now, that's the slum housing that we see and these are the garbage strewn vacant lots that we see. . . .

But this slum housing and these vacant lots are tied directly and inevitably to the national, state and local policies that use various components of the housing industry, both on the construction and the finance side, for purposes other than providing housing for people who need housing. In other words the policies are geared to promote employment in the economy and if you read the newspapers, you will see every day, at least every other day, in the business section of the newspaper a story about the housing industry which talks about the need to spur the economy, the need to

promote employment in that industry and related industries. And it is that use of the housing industry which causes the housing problems that we have because that use of the housing industry is not geared toward solving the housing needs of the people who cannot afford housing.

What we need then in terms of subsidy programs are programs which are targeted specifically to the needs that we have. The programs that we have now are targeted fairly well toward achieving their purpose which is to get new construction but they are not targeted towards the rhetoric that's often used to sell those programs to the common person which is to provide for people's housing needs. And we need to connect the rhetoric towards good aims with the actual policies, maintaining good sound housing in central cities and putting subsidies into housing for poor people rather than into subsidies for developers. . . .

Then, there is the question of tax subsidies and paying companies to open in depressed areas. Here again we are on the leading edge of pursuing the same kind of policy with commercial and industrial development as we have had with respect to housing. There is a need for new commercial and industrial activity in certain neighborhoods. There is a need for jobs but if we simply offer incentives anywhere for people who say they are meeting this need we won't actually meet the need. We will wind up with developments which would have gone forward anyway. It is inconceivable that the north Loop would be undeveloped if only the city would pull back—that is one place where the private sector would move. They have throughout the rest of the Loop.

In other cities as well you find similar patterns. . . . There is a case of a General Motors plan relocation in Michigan where the GM people applied for and obtained a tax abatement and afterwards said, ". . . we would have been irresponsible to our shareholders not to have applied for the tax abatement to cut our costs as much as we could, but clearly we were not going to locate anywhere else if we didn't get the abatement." This is the pattern of these abatements.

So the problem is that we have on the one hand genuine needs and rhetoric which says that we are going to develop programs to meet those needs, but then on the other hand we have programs which are to unfocused, offer broad subsidies and therefore never get to meeting the actual needs.

Arthur Lyons
School of Urban Planning and Policy
U of I, Chicago Circle

It would be my opinion that first of all as long as we have persons of low income, a very low income, as long as we have large segments of the non-working poor the need for shelter will prevail so first of all I think there will be a need 20 years from now for the shelter that's now being provided by places like Robert Taylor Homes and like Cabrini-Green. At the same time I say that I also think that. . . . we are working with the local housing authority and the city of Chicago to improve the management and maintenance of those units so that they can be sustained as a quality residence for those persons who live there.

Elmer Binford

Richard Johnson
Dept. of Human Rights
State of Ill.

And I think now it's more important than ever that we put heat on the enforcement agencies whether they be at the federal or local level to see that the standards for the quality of housing and the maintenance of that housing are kept up and enforced as well as we would do it in some of our "better" communities in the city of Chicago.

Renault Robinson

I think that we need to understand that housing is not like a car or clothing or something. It is an incredibly limited resource that we are losing and that unless we exercise serious regulation of it people suffer in a very profound way.

Ron Stevens

I think the most effective sanction of all is the licensing sanction and if that were applied it would have a remarkable remedial effect on the real estate industry. And, there's an interesting history on that in Chicago. In the mid '70's there was some new legislation passed in the state legislature, some new rules adopted by the Real Estate Examining Committee of the state, and for a period of years there was some approach to effective enforcement of the licensing law.

Over a period of about three years there were some 40 licenses suspended. Since the change in administration about five years ago, even though the same law is on the books and the same rules apply in the Real Estate Examining Committee, there has been very limited—to use a polite word—enforcement of those provisions. I think that would be my top priority.

The second would be one that I've already mentioned, the enforcement of the equal employment opportunity laws in respect to the real estate industry. I think it's nothing short of criminal that this largest trade association in the country in control of a resource which is really so fundamental, not only to the individual family, but to the way our communities develop, is the most segregated industry in the whole society and there hasn't been found a way to deal with that.

Kale Williams

One of the unfortunate aspects of code enforcement in our city is that there is far too much reliance on technical violations and not enough concentration on real dangers to people or the integrities of the buildings, and Pilsen is probably the best example in the city of that.

On enforcement:

And HUD, which has the purse strings, again, has abandoned its responsibilities by not strictly enforcing its own rules and regulations which dictate how public housing should be built and how it should be managed and what the end results of that product should be.

Renault Robinson

In addition, we found an enforcement mechanism that had completely broken down in cases where minorities, especially black people, were complainants.

Jean Oden

Other than the federal subsidized or insured projects, we do not have a system [for monitoring equality in housing]. Some people refer to us as enforcement, but we are not. It's a voluntary administrative means of assuring that a private institution or housing project does not practice discrimination. . . .

The only enforcement arm we have presently in Title VIII is the administrative ability to issue subpoenas, that's the strongest part of Title VIII at this particular time. But once we have run the course with the respondents and complainants and they do not wish to participate any further, we must refer that matter to the Department of Housing and Urban Development in Washington who can refer it to Justice.

Louciene Watson, Director
Regional Office, HUD
Fair Housing and Equal Opportunity

(In response to the question, "What is your action plan for housing enforcement?")

At this point there is no plan.

And, probably for Pilsen the thing that is the biggest problem is the inability of people to maintain their own property legally. It is possible to maintain your own property in Pilsen relatively inexpensively but it is very difficult to do so legally. The reason for that is because, again of the particular kinds of technical code requirements which do not have a great deal of relevance to this particular kind of housing stock in this area. . . .

Now, there are a lot of very skilled people in that community. Unfortunately the test is not whether the work that you did is good the test is who did it. . . .

I have never in any of my experience seen the extent and consistency of either incompetence or questionable motives that I saw in my work representing tenants in public housing situations. . . .

It is far too easy in this city and any other large metropolitan city to just accept this notion that well, things aren't suppose to work and so, if our public housing system doesn't work or the building code enforcement or whatever, well it's just not suppose to. Well, that's rubbish. Our city is not going to survive as long as we continue to believe that kind of thing and we simply have to demand of our public institutions that they learn how to work. Along that line we also have to demand of ourselves that we not give up on these kinds of problems and that we get involved and slug it out for as long as it takes.

Ron Stevens

I can truthfully say that in terms of the Illinois situation which is what I'm in charge of, that I have been encouraged and I am continually encouraged to bring forward to my bosses problems where programs aren't working, problems of waste, fraud or abuse, problems of inequality, problems of nondiscrimination and my bosses have assured me—have reassured me—that one, I will be supported as I attempt to deal with these problems with the authority I have and two, if the problems are of a pervasive nature that they will give me all of the headquarter's assistance that they have to offer.

Elmer Binford

On organizing and public policy:

The first thing I would tell that young mother is to get involved in that community, okay. That she must understand that this is her home; good, bad or indifferent. And that the only way the situation in that community is going to change is that she must get involved. She has got to understand that as a young mother she has the responsibility to provide some

directions for her children. She cannot do that sitting at home watching as the world revolves around the secret storm at the edge of night 'cause love is a many splendored thing.

Marion Stamps

Well basically, we're going to have to get away from unions. We cannot, with the amount of money that is being allocated these days and with the fixed income that most of the people in public housing live on, we cannot, public housing throughout the country cannot afford union rates. So we would definitely have to come up with a program where say, residents would be trained to put in a window or to do some plumbing work. You know, putting in a toilet ain't that bad. Putting in a light fixture, you know, where we are being charged \$17 and \$18 an hour for these services now, that would be the only way that I could see it, is that the residents would have to start working.

Jerome Hunt, Resident
Dearborn Homes

. . . we believe that Cabrini-Green ought to be decentralized. The question is who's going to do the decentralization. . . . We want the residents to be in total control of CHA from the administration all the way down to who is going to sweep the ramps. . . One of the reasons that CHA operates the way it operates is because nobody works in the administration at CHA ever lived in public housing.

. . . there are two high-rise buildings in Cabrini-Green that are 19 stories high. Those two buildings ought to be turned into a mall, just that simple. They can do it at Schaumburg and Evergreen Plaza and all those other places. I mean, look at Water Tower. Water Tower ain't nothing but a high-rise building with a mall in it. With a shopping district in it, okay. They can do the same thing with those two buildings. That would create an economic base in that community, that would give folks in that community jobs, that would develop a certain amount of independence and pride to the folks in that community.

. . . give us our share of the money, and we can deal with Cabrini-Green ourselves, okay.

Marion Stamps

There are ways in which you could not stop conversions but, at the same time deal with the displacement problem. In Chicago, there hasn't even been serious discussion of any of this. So again, it's not a question of is there the technical ability to do it, it's simply a question of will, which is primarily a political question. . . .

First of all you [need] a policy. You [need] a policy which says we are not going to encourage and/or allow conversions until we have an answer to the displacement problem. Okay, you don't necessarily let the private market do whatever it wants, telling the seniors, "We'll deal with you later on." Public policy means you do both at the same time.

David Orr

With respect to . . . alternatives to courts, I think in Chicago the best hope is community organizations, and the pressure from community organizations. . . In public housing that means tenant organizations. And in other kinds of neighborhoods that means communi-

ty organizations putting the pressure on. In some cases it means—in many cases in this city now, it means neighborhood development entities doing their own rehabilitation, doing their own construction, doing their own management so that they solve those problems directly. And in other cases it means political organizing to put the pressure on local officials to make sure those kinds of provisions are enforced.

Leonard S. Rubinowitz, Professor
Law and Urban Affairs
Northwestern Univ.

Appendix I

THE CHICAGO HOUSING AUTHORITY

March 11, 1981

MEMORANDUM TO THE COMMISSIONERS

SUBJECT: Committee on Problem Families

At the February 26, 1980 Commissioners Meeting resident leaders commented on the high crime rate at certain developments, the need to evict problem families, the problem of witness intimidation, the length of time it takes to evict problem families, the extensive court delays, and inadequate screening of new tenants. The Commissioners suggested that staff meet with housing managers and LAC representatives to review our screening and eviction policies and practices and to submit recommendations to the Board.

A Committee on Problem Families was established to review the Authority's screening and eviction policies and procedures and to submit specific recommendations to the Executive Director and the Commissioners. The Committee was comprised of both staff and residents. Staff members included Robert Murphy, Chairman, Harvey Peck, Winston Moore, Geraldine Hancock, Donald Pettis, Eula Collins, Dorothy Gayles, Samuel Rice, Alyce Evans, Herman Johnson, Eva Pious and Elmore Richardson. Resident members included Artens Randolph, Mary Cowherd, Delores Watkins, Willie Baker, Lucille Wood, Maple Lathan, Violet Kasper and Gloria Williams.

The Committee, including a Subcommittee, met approximately eight times during 1980. In May, 1980, the Committee completed its review of the Authority's screening and eviction policies and procedures and prepared its list of recommendations for submission to the Executive Director. However, some committee members felt that recommendations for working with problem families to try to prevent their eviction should also be submitted to the Executive Director. A Subcommittee was appointed to review the Authority's policies and procedures for working with problem families to avoid eviction and to submit its recommendations to the full Committee. The Committee members also decided that the recommendations for improving our screening and eviction policies and procedures should be sent to the managers and local advisory councils and that they be allowed 30 days to review the report and submit their comments and recommendations.

In August, 1980 the Subcommittee submitted to the full Committee its recommendations for working with problem families to prevent their eviction. On October 24, 1980 a copy of the Subcommittee's report for working with problem families to prevent their eviction was sent to all managers and LAC presidents for review and comment. The Committee recommended that they be given 30 days to submit their comments and recommendations.

No comments on either report were submitted by the 19 Local Advisory Council Presidents. The few comments submitted by four or five housing managers were reviewed and were considered in preparing the final report. The report, copy attached, is divided into three parts; The first report contains recommendations for Screening of Families Moving Into Public Housing. The second contains Recommendations for Accelerating the Eviction of Undesirable Families. The Third contains Recommendations for Working with Social Problem Families to Prevent Evictions.

Staff believes that the recommendations contained in these three reports are sound and in the best interest of the Authority. This implementation should assist staff in improving the screening and eviction of social problem families as well as enhancing staff knowledge and skills in working with residents to prevent their eviction.

Commissioner approval is requested to begin implementing these recommendations.

G. W. Master
Executive Director

Reproduced by Central Advisory Council
54 W. Cermak Road - ml

CHICAGO HOUSING AUTHORITY

Recommendations for Improving the Screening of Families

Moving into Public Housing

1. APPLICATION FOR HOUSING

Problem Statement

The limited amount of information contained on the one-page application for housing makes it difficult for Central Rental Office staff to determine whether the family is desirable and likely to adjust to community living.

Recommendation

The four-page Application for Housing formerly used by CRO should, with necessary revisions, be reinstituted to provide information needed to help prevent the housing of undesirable families. APPROVED

2. REGISTRATION CARDS

Problem Statement

The inability of staff to readily locate vacate cards sometimes results in the housing of former residents who the housing manager recommended not be re-housed.

Recommendation

The records of all former residents should be microfilmed to enable CRO interviewers to readily determine whether an applicant is a former CHA resident and whether the applicant should be considered for housing.

APPROVED

3. INFORMATION RELEASE

Problem Statement

The increased number of families moving into our housing developments with serious physical and mental problems creates problems for staff as well as other residents.

Recommendation

Central Rental Office interviewers should require applicants, where deemed necessary, to sign an information release form to enable CRO to obtain data on the applicant from public and private agencies.

DISAPPROVED

4. SOCIAL HISTORY

Problem Statement

The failure by the Welfare Department and other agencies to inform us about health problems of CHA applicants sometimes results in the housing of undesirable families.

Recommendation

CHA staff should work with the Welfare Department and other agencies to ensure their prompt response to telephone calls and letters from CRO regarding such applicants.

DISAPPROVED

5. VACATE BALANCES.

Problem Statement

The failure or refusal by some former residents to pay vacate balances before being re-housed creates a serious collection problem for the housing manager.

Recommendation

The Central Rental Office should require former CHA residents who moved with a vacate balance to sign a payment plan before approving their application for housing.

APPROVED

6. VACATE CARDS

Problem Statement

The failure by some housing managers to explain, on the vacate card, the reason why the family should not be re-housed creates unnecessary delays by CRO staff in processing such applications.

Recommendation

Housing managers should be required to promptly document vacate cards and forward to CRO any memos or historical records regarding rent paying habits, housekeeping standards, arrest records, etc., of families moving out of public housing.

APPROVED

7. REGISTRATION FORMS

Problem Statement

The increasing number of applicants with criminal records who are housed, creates problems for housing managers as well as other residents.

Recommendation

The CHA registration form should be revised to include a statement that

CHA will investigate the applicant's arrest record, if any, to determine whether the applicant meets the Authority's standards of desirability.

APPROVED

8. HEARING OFFICER

Problem Statement

Applicants who are determined ineligible on the basis of undesirability are often required to wait weeks or months for a hearing.

Recommendation

A full-time Hearing Officer should be required to conduct hearings with such applicants.

APPROVED

9. SOCIAL SERVICE UNIT

Problem Statement

Several months are often required to determine the eligibility of applicants whose applications must be referred to the CRO Social Service Unit for investigation and evaluation.

Recommendation

The Social Service Unit staff should be increased to expedite the investigation and evaluation of cases referred to that unit.

DISAPPROVED

10. RESIDENT COUNCILS

Problem Statement

New tenants who are not made aware of the local tenant organization's standards and expectations sometimes become involved in situations that result in their early eviction.

Recommendation

The Local Advisory Council should participate with local management staff, including the C&TR Aide, in a pre-leasing meeting to advise prospective tenants about their standards and expectations and the consequences of non-compliance.

APPROVED

CHICAGO HOUSING AUTHORITY

Recommendations for Accelerating the Eviction
of Undesirable Residents

1. TENANTS GRIEVANCE PROCEDURES

Problem Statement

The numerous steps involved in implementing the existing 7-member Tenant Grievance Hearing Procedure adds 30 to 60 days to the time required to evict an undesirable family.

Recommendation

The present 7-member Tenant Grievance Panel should be replaced by a Hearing Officer to expedite the eviction of undesirable families.

APPROVED

2. DOCUMENTATION

Problem Statement

The failure by some housing managers to properly document acts of residents that threaten or endanger the health, safety or peaceful existence of others makes it difficult to evict undesirable families.

Recommendation

All housing managers should be required to document all acts by residents that threaten or endanger the health, safety or peaceful existence of others as well as actions taken to prevent a recurrence.

DISAPPROVED

3. EVICTIONS

Problem Statement

The failure by the Sheriff's Bailiff to evict families within a reasonable period after ordering eviction only exacerbates the problem of getting rid of undesirable families.

Recommendation

A committee consisting of the Executive Director, General Counsel, Commissioner and the CAC president should meet with the Sheriff of Cook County to get a commitment that upon expiration of the writ of restitution the eviction will take place within thirty (30) days.

APPROVED

4. JUDGES

Problem Statement

The failure by some Circuit Court judges to understand and appreciate the serious crime problems in public housing sometimes results in lenient

sentences and the early release and return of criminals to our public housing developments.

Recommendation

A committee consisting of the Executive Director, General Counsel, Commissioner and the CAC Chairperson should meet with the Circuit Court judge concerning the recurring crime problems in CHA to get some assurance that public housing residents convicted of crime will be given stiffer sentences.

5. STATES ATTORNEY

Problem Statement

The unawareness of some Assistant States Attorneys of the serious crime problem in some public housing developments sometimes results in their failure to prosecute residents to the full letter of the law.

Recommendation

A committee consisting of the Executive Director, General Counsel, Commissioner and CAC Chairperson should meet with the States Attorney to inform him of recurring crime problems in CHA developments and demand that residents who commit crimes be prosecuted to the full letter of the law.

APPROVED

CHICAGO HOUSING AUTHORITY

Recommendations for Working With Social Problem

Families to Prevent Evictions

1. YOUNG, SINGLE-PARENT FAMILIES

Problem Statement

The increase in number of children born out of wedlock, instances of unauthorized occupancy, use of apartment as "hangouts," and reports of gambling, prostitution and drug traffic in apartments leased to young, single-parent families has had a deleterious effect on some of our housing developments.

DISAPPROVED

Recommendations

- a. A special form should be prepared for staff use in identifying interests and needs of young, single-parent families, particularly at the time of initial home visit.
- b. Young Parents Centers, similar to the one established at Rockwell Gardens by the Chicago Urban League, should be established at all family housing developments to help young, single-parents resolve their problems. APPROVED
- c. An on-site informational service center should be established at each local management office to serve as a resource for young, single-parent families. APPROVED
- d. Staff and residents should collaborate in sponsoring programs and activities geared to the interests and needs of young, single-parent families.

2. DOCUMENTATION

Problem Statement

The failure by some management offices to maintain complete and accurate records of staff contacts with residents concerning such problems as truancy, emotionally disturbed persons, poor housekeeping, and child abuse makes it difficult to evict such residents. Further, existing staff often lack the training and experience needed to identify and work with such families.

Recommendations

- a. A new CHA form should be developed to assist staff in documenting contacts with social problem families.
- b. Training programs or seminars should be established to assist staff in identifying problems faced by social problem families.

APPROVED

3. POOR HOUSEKEEPING

Problem Statement

The increase in poor housekeeping among families in both family and senior housing developments has exacerbated the infestation problem in some of our housing developments.

Recommendations

- a. Poor housekeeping families should be identified and staff visits scheduled to assist these families in improving their housekeeping standards.

APPROVED

- b. The Annual Housekeeping Inspection Team should be re-established to conduct the HUD - required annual inspection of all dwelling units.
 - c. Homemaking Centers should be established in all family housing developments to help families improve their housekeeping standards.
- APPROVED
- d. Homemaking services now funded through CHA and CETA should be extended to all housing developments.
 - e. Staff home visits within a 30-day period following initial occupancy should be reinstituted at all housing developments.

4. EMOTIONAL PROBLEMS

Problem Statement

The increase in the number of emotionally disturbed families and elderly in CHA has created fear and apprehension among residents at some housing developments. Moreover, some staff lack the training and experience to deal with this type of problem.

Recommendations

- a. Meetings between the local management staff, local advisory council, and community-based mental health centers, both city and state, should be scheduled to help improve referrals and follow-up services.
- APPROVED
- b. Staff should be informed about the national de-emphasis on institutionalization of disabled and handicapped persons and the increasingly important role of public housing in providing decent, safe and sanitary housing for this group of citizens.

Appendix II



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

OCT 27 1981

May 28, 1981

Honorable Jane M. Byrne
Mayor of Chicago
Chicago, Illinois 60602

Dear Mayor Byrne:

This letter concerns the pending request of the Chicago Housing Authority for an administrative loan from the Federal Government in the amount of \$49 million to provide financing for the operation of the Authority through the balance of this fiscal year. This amount would be in addition to the \$59.9 million already advanced by the Federal Government to the CHA as its fair share 1981 operating subsidy as well as \$3.3 million provided as an adjustment for 1980 utility costs. We also understand that the CHA expects to receive \$4 million from the State of Illinois under the Federal Home Energy Assistance Program.--

At the time that we granted the last administrative loan to CHA, then Assistant Secretary Lawrence B. Simons advised the Chairman of the CHA, Charles Swibel, by a letter dated September 8, 1980, that financial aid might be available in the future "if, during the course of fiscal year 1981, the CHA maintains a financially balanced operation." Despite this warning, the CHA has failed to achieve a meaningfully balanced budget for the current fiscal year and is apparently continuing to add to its cumulative deficit. As a result of the increasing size of this deficit, prepayment of the annual operating subsidy has been required at an earlier date each year.

The principal sources which compound the problem of operating deficits at the CHA appear to be in the area of labor costs, rent collection and elevator maintenance expenses. We understand that the CHA is using modernization funds to correct the elevator problem. We also understand that the CHA is moving to eliminate flat ceiling rents and that it is anticipated that rent receipts should improve in the future, although more rapid achievement of the objective of maximum statutory rent collection is needed. However, the CHA does not appear to be taking adequate steps toward reducing excessively high labor costs.

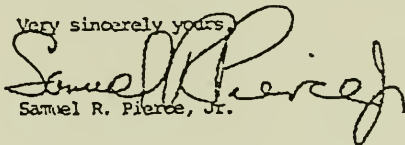
Before any further financial assistance can be provided, therefore, we must be convinced that the City and the Chicago Housing Authority are taking actions which will result in demonstrable reductions in labor costs and increases in rent receipts. We must also be convinced that the City and the State of Illinois are prepared to carry out their responsibilities with respect to the CHA by providing additional assistance to help solve the severe cost and management problems.

We are prepared to authorize an administrative loan of \$16 million, which would be accomplished through short term private market financing, contingent upon a written agreement from the City of Chicago and the Chicago Housing Authority that the following steps will be taken:

- (1) Current labor costs will be reduced by eliminating the practice of using skilled labor for unskilled jobs, reexamining wage rates, and reducing overtime work.
- (2) CHA will insure that maximum rents under current law are established for all tenants.
- (3) CHA and the City of Chicago will cooperate in a federally-sponsored management audit of the total CHA operation to identify other management improvements, and will take prompt action to implement any management changes recommended by the audit and approved by HUD.
- (4) The City of Chicago will provide additional assistance to help the CHA meet its 1981 operating costs and will seek the support and cooperation of the State of Illinois in providing whatever assistance may be available from state sources.

Further Federal assistance this year would be premised upon satisfactory progress toward achieving each of these conditions.

Very sincerely yours,


Samuel R. Pierce, Jr.

UNIVERSITY OF MARYLAND

SCHOOL OF LAW
LIBRARY

BALTIMORE, MARYLAND

